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: GADIO 4

Opposition joins forces in challenge to Gandhi

India's epposition parties agreed to a coalition movement to challenge Prime Minister Rajiv Gandhi at the next general election, due by the end of next year.

The National Front will com-

bine seven national and regional parties on a loose plat-form of decentralisation, anti-corruption and socialism. The main leader will be Vishwanath Pratap Singh, Finance Min-ister under Gendhi when he introduced his most liberal ecesomic reforms. Page 2 Indian state government of Nagaland was dismissed and the region put under presi-dential rule after Rajiv Gandhi's Congress (1) party lost its majority in the state assembly.

Baker on Bush Vice-President George Bush will use peace and prosperity as the twin pillars of his attempt to win the November

presidential election, Mr Jam Baker, his newly appointed campaign chairman and the US Treasury Secretary, said. Page 14.

Pakistan warning Soviet Union and Afghanistan said they would take action unless Pakistan halted what they said were "crude viola-tions" of the Geneva accords on Afghanistan.

Palestinians backed Moscow re-affirmed its support for a Palestinian state, a week after Jordan decided to sever after Jordan decided to sever ties with the Israeli-occupie West Bank, a PLO official said. Hussein backs PLO government, Page 3

Egypt aids Sudan Egypt is sending urgent humanitarism and to Sudan where torrential rains were reported to have killed scores of people and left more than

Train cities quits The head of France's stateowned SNCF railways resigned following a train crash at Paris' Gare de l'Est railway station in which one man was killed and 56 people injured.

Burma police kill 3: Burmese police shot dead three people and wounded 19 during anti-government demonstrations in three towns by protesters wielding spears and swords, the official News Agency of Burma said.

Five dead in ambush Five men were killed and six others seriously wounded when gummen ambushed two buses in Mpumalanga, one of many rural South African townships swept up in the conflict between the leftist United Democratic Front and the Zulu

Inkatha movement. Birthday demands Solidarity leaders urged Polish workers to mark the eightir anniversary of the banned trade union by demanding better pay and conditions and the union's legalisation.

300 feared drowned Only 10 bodies have been found of the 300 or more people feared drowned when an over-

crowded ferry capsized in the river Ganges, officials said. Tamil attack

Tamil guerrillas shot dead a senior police officer and his driver in an ambush in Svi Lanka's northern peninsula.

Hawke stands firm ... Bob Hawke, Australian Prime Minister, said he was prepared to fight moves to restrict Asian immigration to Australia, even if it meant his defeat.

Human chain demo About 12,000 anti-military pro-testers formed an 11km chain around the Air Self-Defence Force base is Komatsu, capital Japan, police said. There were no clashes.

Rise to the occasion Javier Perez de Cuellar, UN Secretary General, was stuck in a lift at UN heedquarters on his way to crucial talks.... with Iran's Foreign Minister on a possible Gulf ceasefire. As he boarded another lift Perez de Cueilar joked: "The talks are not stuck. I am

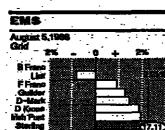
Business Summary

Murdoch to pay \$3bn for **US magazine** group

MEDIA magnate Rupert Murdoch plans to pay \$3hn for Triangle Publications Inc., which will add TV Guide, the largest selling weekly magazine in the US, the Daily Racing Form and Seventeen magazine to his communications empire, a spokesman announced in New York.

A MOVE to restructure Britain's estimated £200bn (\$342bm) national debt could follow last week's decision by the Government to redeem early \$2.5bn of the UK's exter-nal borrowings. Page 14

EUROPKAN Monetary System The Irish punt moved to the top of the KMS last week, improving on the influence of a stronger UK pound. The Danish krone was also firm, leading to suggestions that interest rates might to be cut. So far however, such a move has been ruled out by the Danish central bank.



negotiations and the level of

ECU Divergence Limit ECU Day Parity Position

straints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the tica) may move by more than 24 per cent. The lower chart gives each currency successions from the "central rate" against the Ruropean Currency Unit (Ecu), itself derived from a bas-ket of European currencies.

TOKYO: In half-day trading on Saturday the Nikkei index fell 61.2 to 28,362.18. Share prices closed lower on profit-taking, centred in retailers and incentive-backed shares. World Stock Markets, Page 29

GULF-USSR: A Gulf states bank said it was prepared to finance joint ventures within the Soviet Union, further indic ating closer ties between the USSR and the Gulf. Page 14

INTERNATIONAL Business chines, world's largest computer company, continued to lose market share in Europe last year. IBM accounted for 32.5 per cent of the top 25 revenue earners in 1987, down from 35.3 per cent the previous year.

Page 4 AIR AFRIQUE: Ten West African states which own Air Afrique dismissed its chairman as part of a financial rescue plan for the heavily indebted regional carrier.

SOUTH KORRA: Several foreign companies that did busi-ness with South Korea during the regime of former President Chun Doo Hwan are expected to come under scrutiny by par-liamentary committees investi-gating alleged "irregularities".

WEEK AHEAD: Inflation fears and the outlook for interest rates could again provide a theme for UK and US financial markets this week. Page 15

JAPANESE Ministry of Finance announced further steps in its programme to remove controls from the interest rates on bank deposits. Page 18

DAILLER BENZ, diversified West German motor group, reduced its holdings in Dornier, its aerospace subsidiary, to 54 per cent from 65.5 per cent by selling back shares to a member of the Dornier family, Page 20

GENERAL MOTORS looks set to follow Ford and Volvo into the multi-billion dollar US car rental industry after the announcement that it is seeking a big stake in National Car

Rental Page 20 COFIR. Spanish investment arm of Cerus, Carlo De Benedetti's European holding com-pany, conducted its second large raid this year into the domestic market with the acquisition of 40 per cent of Sanitas, Spain's leading private health insurance company.

UN move signals breakthrough in bid for Gulf peace

By Our Foreign Staff

MR JAVIER PEREZ DE CUELLAR, the UN Secretary-General, is expected today or tomorrow to set a date, possibly two weeks from now, for an end to eight years of fighting in the Gulf which has claimed more than a million lives.

Mr Ali Akbar Velayati, Iramian Foreign Minister, yester-day met Mr Perez de Cuellar in New York and the talks apparently confirmed that a break-through had been achieved on the issue of whether a truce should come before or after direct talks between Iran and

Iraq.
On Saturday, President Saddam Hussein of Iraq dropped his insistence that direct talks should precede any truce.

At his meeting with Mr
Perez de Cuellar, Mr Velayati accepted the proposal of the Secretary-General that direct negotiations between Baghdad and Teberan should take place

after a ceasefire.

After meeting Mr Perez de Cuellar for nearly two hours, Mr Velayati told reporters:

"We accepted the proposal of the Secretary-General (on) the face to face negotiations after

By Ivo Dawnay in Rlo de Janeiro

fallen to 1.06 per cent of Gross

US\$3hn), against 1.79 per cent for the first half last year, sur-

prising and heartening the Administration.

But industrial output has

first half, despite a small improvement in June, confirm-

ing fears that the country is

The decline in industrial per-

formance dashes hopes that soaring exports might make up

for the downturn in domestic

demand. Much of the surge in

the country's trade surplus,

again expected to top \$1.8bn

last month, is now attributed to a record harvest and boom-

ing international commodity

prices, fuelled by the US drought.

now undergoing a fierce reces-

by 4.8 per cent in the

"We agreed that face-to-face

the face-to-face talks depends on the decision of the Secre-

on the decision of the Secretary-General."

At the same time, Tehran radio issued a statement saying: "Now that Iraq's precondition has been eliminated to the Secretary-General may immediately begin implementation of his plan for implementing Security Council Resolution 598 and, with the announcement of a ceasefire, proceed to ment of a ceasefire, proceed to implementation of other clauses of the resolution." The resolution provides for a cease-fire and a comprehensive set-

Mr Velayati, in his latest comments, did not reiterate previous suggestions that each country's troops would have to withdraw from the other's territory, and that prisoners would have to be exchanged, before any direct talks.

A US State Department offi-cial welcomed Baghdad's change of position and the resulting progress. "We felt the Iraqi move was a positive step.
It seemed to have moved things along. And obviously things are playing out. It's up to the Secretary-General to work out the details and we fully support his efforts," he told Reuter news agency.

Brazil spending cuts raise

hope of debt rescheduling

end target of 4 per cent for its operational deficit - the real

after adjustments to remove

factors related to indexation

In nominal terms, where the

impact of inflation-indexing of

revenues and payments is dis-regarded, the deficit is a much

higher 9.37 per cent of GDP, although down on the 12.61 per cent in the same period last

The operational deficit is the

key figure now being perused by foreign creditor banks in

deciding whether to back a

restructuring package, involving \$5.2bn in "new money"

loans, negotiated with a 14-member bankers' committee in

The International Monetary

Fund has supported the deal;

the last few months.

for inflation.

There was no immediate statement on the Perez de Cuellar-Velayati meeting from Baghdad or from the UN Secretary-General himself, who was expected to hold urgent consul-tations with members of the Security Council.

Mr Ismat Kittani, the Iraqi

envoy to the UN, was also due to see Mr Perez de Cuellar last night. Mr Tareq Aziz, the Iraqi Foreign Minister, returned to Baghdad for consultations on Saturday.

Iran effectively sued for

peace by announcing its accep-tance of Resolution 598, passed by the Security Council in July

1987, in a surprise development three weeks ago.

Although the resolution had previously been accepted by Baghdad, consultations by the Secretary-General with both sides became bogged down over issues of timing, and there was an unsurge of fight-ing as Iraq tried to seize pris-oners of war. Tehran accused the Iraqis of using chemical

Yesterday, Iraq claimed to have destroyed nine Iranian

positions.
The Kuwaiti Defence Minister, Sheik Nawaf Al-Ahmed Al-Sabah, predicted in an inter-Continued on Page 14

federal spending, already sharply curtailed this year by budget and public sector

Mr da Nobrega must battle ressure from the farm sector

against a cut in traditional

cheap credits. In addition, with tax revenues falling, he must

month. The measure, which should raise \$1.3bn, has pro-voked a howl of anguish from

industry. Mr da Nobrega has also

adopted a policy of raising

interest rates and encouraging

recruitment freezes.

US markets braced for gradual squeeze on credit

By Janet Bush in New York

US FINANCIAL markets start the week braced for another possible move to tighten mone-tary policy by the Federal Reserve in response to last Fri-

day's strong employment report for July.

The consensus of opinion on Wall Street is that the central bank will nudge short-term interest rates higher over com-ing weeks but that the squeeze on credit will be undramatic

and extremely gradual.

Money market economists
believe the Fed will encourage the key Fed Funds rate to move higher, to perhaps 8 per cent over the next fortnight from its apparent current range of between 7% per cent and 7% per cent.

There is an almost unani-mous view, however, that the Fed will try at all costs to avoid raising its 6 per cent discount rate.

Mr James Baker, who last week resigned as US Treasury Secretary to run the presidential campaign of Vice-President George Bush, said in a television interview yesterday that the Fed was doing an extraordinarily good job at striking a dinarily good job at striking a balance between maintaining economic growth and being vigilant about inflation.

He would not be drawn on whether inflation was a legitimate concern, whether he expected the Fed to tighten monetary policy or whether higher interest rates would be harmful to Mr Bush's campaign paign.

There are a number of com-

pelling reasons why any further tightening move by the Fed would have to be subtle.
The most pressing dilemma facing the Fed is the strength of the dollar.
The US currency jumped to its highest level this year against the D-Mark last Friday and remained strong despite

Government's success in reducing its overspending has boosted its international campaign to win the backing of creditor banks' for a new debt restricted bing agreement.

The public sector deficit has adopted a year-strongly definit a the last of the accord on the basis of the figure, lifting its ban on state-financed trade credit loans.

Brazil has adopted a year-strongly definit a the last of the sector deficit has adopted a year-strongly definit a the last of the last and remained strong despite reported Fed intervention. An overt further tightening of monetary policy would add to upward pressure on the cur-

rency and threaten to weaker the already beleaguered This week the Fed has to be careful not to upset the mood in the US bond market which has to absorb the \$22bn quar-

curb a spending spree expected terly Treasury refunding. before November's municipal Next week, political sensitivities about rising US interest rates are likely to come to the He has already acted to raise receipts by bringing forward payment dates on a range of forefront as the Republican convention gets underway. Historical hint, Page 14; Inflafederal taxes, now being shrunk in real terms by inflation fears, Page 15; No-win decision, Page 18 tion of over 20 per cent a



a refugee camp on the Thai border on Sunday

Sihanouk for talks in Britain and US

Roger Matthews in Bangkok

PRINCE Norodom Sihanouk, the Kampuchean resistance leader, is to visit London and Washington in October for talks with Mrs Margaret Thatcher and President Ronald Reagan, in the run-up to the third round to peace talks on Kampuchea scheduled to be held in Paris the following month.

An ebullient Prince Sihanouk revealed this yesterday, minutes before the arrival of Mrs Thatcher at a refugee camp in Thailand eight miles from the border with Kampuchea.

It was a series of firsts yes-terday for Mrs Thatcher: her first meeting with the Kampu-chean leader, the first visit by a British Prime Minister to Thailand, and the first by any prime minister to the refugee amp known as Site B. Prince Sihanouk described her visit as historic and praised Mrs
Thatcher as a "great woman
and a great stateswoman."

The British Government's
intention is to try to maintain
the momentum that appears to

be developing towards a nogo-tiated settlement. Mrs Thatcher stressed that the efforts of the five permanent a de facto truce between members of the United Nations Continued on Page 14

tract with Malaysia.

Security Council in working towards a ceasefire in the Gulf war was an encouraging sign for the people of Kampuchea.

"There are more possibilities now of being able to resolve these long-standing problems because of the co-operation that is being shown by the five permanent members of the Council," she said. Mrs Thatcher also praised

the Soviet Union which, she said, had been foremost in bringing pressure on Vietnam to withdraw its occupying troops from Kampuchea.

Prince Sihanouk and Mrs Thatcher were both insistent that any settlement had also to ensure that there was no risk of a return to power by the Khmer Rouge, who under the notorious Pol Pot wreaked havoc on the country between 1975 and 1979 leading to the Vietnamese invasion.

Prince Sihanouk stressed that the continuing threat from the Khmer Rouge would ensure that all other factions would unite. This included the Vietnamese-backed Government of Mr Hun Sen and Prince Sihanouk's own forces.
"There is already more than

a de facto truce between us and

Defence deal planned

By Andrew Hitl in London

BRITAIN is negotiating the

The exact value of the deal is not yet determined, but it could be worth as much as £2bn (\$3.42bn) for UK companies principally involved.

They are the General Electric Company, the UK industrial, electricals and electronics group, through its Marconi subsidiaries, together with British Aerospace, the aircraft and missiles group, and VSEL, the shipbuilder and defence contractor.

Completion of the first stage ernment is believed to be imminent. The deal may have been on the agenda when Mrs Margaret Thatcher, the Prime Minister, stopped for two hours of talks in Kuala Lumpur on Saturday, en route for Thailand. However, the matter is regarded as highly sensitive, and it is likely to be some time before details are finalised.

In a separate development, GEC is believed to be poised to buy an office and printing equipment company in the US for between \$100m and \$200m.

accepting Brazil's arguments that the target is attainable. imports to reduce excess Brasilia now faces a formidaliquidity in the economy. ble challenge, however, in con-Last week the Paris Club group **Boost for BATS US bid hopes**

By Andrew Hill in London

A CALIFORNIAN court ruling in favour of BAT Industries has given a boost to the British tobacco and financial services company in its long-running bettle to win control of Farmers Group, the Los Angeles-based insurer.

The California Superior Court ruled late on Friday that the state's insurance commissioner had misinterpreted a statute probibiting ownership of insurance companies by gov-ernments or agencies of gov-ernments and was therefore wrong to ban BATS' \$4.2hn takeover bid for Farmers.

The commissioner is now influence the com

other states. Judge Kurt Lewin also rejected cross-appeals by Farmers which had demanded a new hearing by the insur-ance commissioner. Mr Patrick Sheehy, chair-man of BATS said: "This is

indeed excellent news. California, with more than 40 per cent of Farmers' business, is certainly a key state for us."

The decision came hard on the beels of the Ohio Department of Insurance's approval of the bid, following the UK group's firm commitment last week to fulfil certain conditions imposed by the state. These included pledges to expected to have to reverse his decision, made nearly two in the state and to continue to months ago, and analysts offer non-smoking discount believe the court ruling could policies. BATUS, the compaoners of ny's US subsidiary, already has

a large operation in Ohio generating some \$200m of sales a

Farmers operates in 26 states, and in nine of those - accounting for about 72 per cent of Farmers' business – regulatory approval has to be won.

BATS has pledged to win over all nine insurance commissioners, but the outcome of the bid is unlikely to be clear until mid-October at the earli-

So far only Arizona and Ohio have decided to allow the bid, with California now expected to follow suit. The hearings in Illinois have just finished and a decision is anticipated before the month, while Kansas and Texas have still to decide.

CONTENTS THE MONDAY INTERVIEW



Akio Morita, chairman of Sony, has reeson to know Europe. He telis Stefan Wagstyl that, between now and 1992. Japanese industry wi li move technology into the European Community. Page 32

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Mergers: Enimont prepares to take on the

YOU CAN BE SURE OF SHELL



Indian opposition forms alliance against Gandhi

By David Housego in New Delhi

INDIA'S opposition parties yesterday agreed to join forces in a new coalition movement and so cleared a big hurdle on the way to making an electoral challenge to the Government

of Mr Rajiv Gandhi.
The National Front, as the new group is to be called, brings together seven national and regional parties on a loose platform of decentralisation, anti-corruption and old-fash-ioned socialism. The main leader of the front will be Mr Vishwanath Pratap Singh, Finance Minister under Mr Gendhi when he introduced his most liberal economic reforms.

Plans for such a national coalition have been in the off-ing for some while, but the opposition has hurried into patching its differences because it scents that the Government has become increas-

ingly vulnerable.

The most dramatic sign of this was Mr Singh's by-election

deep for the it to survive the strains of government for long.

The new National Front

home of the Nehru family, having based his campaign on a crusade against corruption.

The coalition is part of a two-tier opposition strategy to unseat Mr Gandhi. The second step involves a merger of four of the parties in the coalition as a new party, the Samajwadi Janata Dal.
Without a national alliance.

the opposition parties know they would be too small and too regional to defeat the Con-gress party, which has roots in every state.

The last time the opposition parties linked forces in such a way was in 1977, when the Jan-ata alliance defeated the late prime minister Mrs Indira Gandhi. The divisions within the alliance, however, were too deep for the it to survive the

victory last month when he defeated Mr Gandhi's Congress
(I) Party at Allahabad, the party. The draft programme announced is a hotch-potch of ideas drawn from the constitu-

ent members The socialist orientation of the programme emerges in proposals to return to a policy of import substitution and to the spirit of "Be Indian, Buy

If the opposition were to win the next general election, though, it would not necessar-ily implement such policies under Mr Singh's more liberal leadership.

A further anomaly lay in the fact that, while opposition speakers yesterday pledged a return to greater democracy, some of those on the platform had helped Mrs Gandhi implement the emergency design. ment the emergency during the 1970s. Among them was Mr V.C. Shukla, in charge of press censorship during the emer-

Vienna security talks adjourned

By Judy Dempsey in Vienna

THE MEETING in Vienna of the Conference on Security and Co-operation in Europe (CSCE) has gone into recess after three months of wide-ranging East-West talks whose achieve-

ments diplomats have described as "uneven". Western and some eastern European diplomats say prog-ress was impaired because of umrealistic expectations raised by Mr Roland Dumas, French Foreign Minister and Mr Hans
Dietrich Genscher, his West
German counterpart.
They visited Vienna last

The process are so the CSCE process.
These include human rights, economic co-operation and

month and said the pace of the conference should be accelerated so that a new round of talks on European disarmament - the Conventional Sta-bility Talks (CST) - could

start as soon as possible. However, other Nato delega-tions (notably those of Britain, the US, Canada and the Netherlands) are not prepared to rush into any new CST until a balanced and substantial outhumanitarian issues. In recent weeks, France and

West Germany, have often given the impression that they see themselves as playing the key role in persuading the Warsaw Pact countries to undertake new commitments in these areas. However, Mr Genscher's insistence that the Vienna meeting stay in session while he visited the Soviet Union this

month led to misglvings among several Nato diplomats

about Bonn's approach to the STEEL AND VANADIUM CORPORATION LIMITED

INTERIM REPORT FOR THE SIX MONTHS TO JUNE 30 1988 AND DIVIDEND NOTICE

rated in the Republic of South Africa)

Registration No. 60/01900/06

	Six ma	Year to	
CONSOLIDATED INCOME STATEMENT Turboyer	30.6.88 Unaudited R'000 499 075	30.6.87 Unaudited R'000 386 988	31_12.87 Audited R'000 849 669
Profit before tax:	68 998` 25 529	33 502 5 750	74 313 17 503
Net profit attributable to Highveld shareholders	43 469	27 752	56 810
Number of ordinary shares in issue at end of period Earnings per share (cents) Dividends (cents) — interim	71 241 590 61 0 14.0	70 953 775 39.1 10.0	71 003 475 80.1 10.0 20.0

The unaudited attributable profit for the six months ended June 30 1988, after providing for financing charges of R13 165 000, depreciation of R18 078 000 and deferred tax of R25 529 000 was R43 469 000 compared with R27 752 000 for the same period in 1987.

Earnings per share increased to 61.0 cents compared with 39.1 cents in the first six months of 1987 and, in view of these results, the board has decided to increase the interim dividend to 14 cents per share (1987; 10 cents), psyable in October 1988 at a cost of R9 974 000.

World apparent steel consumption in 1987 was an all-time record of 754 million tons and further improvements in both consumption and production are forecast for 1988. As a result, there were substantial increases in the US dollar prices of steel products in all export markets. In South Africa there was a significant increase in steel consumption during the first half of the year. This related mainly to flat products associated with the improvement in demand for consumer and semi-durable goods. The sales of structural steel products remain shaggish, awaiting growth in the capital

World vanadium markets remain strong and the US dollar price of vanadium pentoxide reached an historical high in July 1988. The demand for, and US dollar prices of, ferro-alloys continued to improve in all markets and both Transalloys and Rand Carbide operated at high levels throughout the period. Rheem's performance has also been satisfactory and above expectations for the year to date.

It is pleasing to note that at the beginning of July the annual wage negotiations with all unions dived in the house agreement were completed and new rates of pay have been agreed, effective from

Export markets for steel, vanadium and ferro-alloys are expected to remain firm through the second half of the year and profit margins will clearly be assisted by the weaker rand. A slowdown is indicated in the domestic economy and this will impact on local steel sales. Barring unforeseen circumstances, earnings in the second half of the year should show a further improvement over those achieved in the first half.

CAPITAL EXPENDITIES

Capital expenditure in the six months to June 30 1988 amounted to R4 502 000 (1987: R11 815 000), and the total commitment in respect of further capital expenditure was R11 052 000 at June 30 1988 compared with R3 809 000 at December 31 1987.

A positive response was received from 4 738 employees of the Highveld Group to participate in the Anglo American Group Employee Shareholder Scheme and this represented 78.3 per cent of the 6 050 eligible employees to whom the offer was made. In terms of the agreement covering the scheme, 238 115 S ordinary shares in the capital of Highreld were allotted to Anglo American Industrial Corporation Limited in payment for the shares in Anglo American Corporation of South Africa Limited issued to the participating employees. In 1988 the scheme involved the offer of five Anglo American shares to each employee with two years service or more.

Arising from this allotment, the issued share capital of Highweld has increased to R71 241 590. At June 30 1988 15 300 variable rate redeemable cumulative preference shares were in issue at a total issue price of R198 million. As a result of the strong cash flow, preference shares to the value of R54 million were redeemed during the period under review.

A dividend No. 28 of 14.0 cents a share, being the interim dividend in respect of the financial year to December 31 1988, has been declared payable on October 21 1988 to ordinary and S ordinary shareholders registered in the books of the corporation at the close of business on September 9 1988. The dividend is declared in the currency of the Republic of South Africa. Dividend warrants will be posted from the office of the transfer secretaries on or about October 20 1988.

Any change of address or dividend instruction to apply to this dividend must be received by the corporation's transfer secretaries not later than September 9 1988. Shareholders must, where necessary, have obtained the approval of the South African or any other exchange control authorities having jurisdiction in respect of such instructions.

The share transfer register and register of members will be closed from Saturday September 10 to Saturday September 24 1988, both days inclusive. In terms of the Republic of South Africa Income Tax Act 1962, as amended, non-resident shareholders' tax will be deducted by the corporation from dividends payable to those shareholders whose addresses in the share register are outside the Republic. The effective rate of non-resident shareholders' tax is 15 per cent.

The abridged unaudited consolidated income statement of the corporation and its subsidiaries for the half year to June 30 1988 is contained in the accompanying interim report of the corporation for

Withank August 5 1988

For and on behalf of the Board L. Boyd (Chairman) J. Hall (Managing Director)

Registered Office: Portion 29 of the farm Schoongericht No. 308 J.S. District Withank (P.O. Box 111, Withank, 1035)

Transer Secretaries: Consolidated Share Registrars Limited 40 Commissioner Street Johannesburg, 2001 (P.O. Box 61051, Marshalltown, 2107)

Burmese students call for anti-government strike

By Our Special Correspondent in Rangoon

IN KEEPING with the strong Buddhist tradition in Burma, students have waited until today – the auspicious eighth day of the eighth month, 1988 - to call a general strike against the military Government in Rangoon.

The day will be a big test of whether the student-led dissi-dents, who are calling for democracy and the fall of U Sein Lwin, the new Burmese leader, can widen their support to include workers, most of whom are employed by the

If support for the strike appears, the new Government will face its first serious chal-

lenge since martial law was declared on August 3.

As troops moved on to the streets last week, however, it became increasingly clear that U Sein Lwin, who took power two weeks ago, is not simply the puppet of U Ne Win, whose 26-year rule drove Burma into the ground, diplomats in Ran-

goon say. Already U Sein Lwin is living up to his tough reputation, reinforced in March and June when he supervised suppres sion of anti-Government riots in which at least 100 died. On August 4, truckloads of heavily armed troops moved

into Rangoon. They took up positions around pagodas, mar-ket places and street corners, apparently to prevent demon-strators gathering.

a Buddhist holiday.
For two days before U Sein
Lwin declared martial law,

about 2,000 students marched through Rangoon, waving flags of a fighting peacock, a symbol of their pevolt.

In spite of the tensions on the streets, diplomats are can-tiously optimistic that political change and economic reforms are genuinely desired by U Sein Lwin.

"He is trying to keep the lid on student unrest while he for-mulates economic reforms." one diplomat said. Since taking over, U Sein Lwin and his officials have avoided using the word social-

and officials have repeatedly said in government-controlled papers that the private enterprise laws, placing almost all economic activity in the hands of state enterprises, have been

abolished.

Details of what private business can do will emerge only in October at the next session of the nominal parliament.

In reality Burma's black place Japanese officials say market, or free embrarise system, is what has kept the counity functioning for so long. U which will allow Burma to Sein Lwin's declaration that it import yital commodities, but is no longer illegal is simply a there will be no more aid until is no longer illegal is simply a recognition of fact, but it will

None appeared, possibly ism", referring instead to a Win's "Burmese way to social-ecause schools were closed for "national economic system", ism" has comprehensively failed diplomats say.

Burma's hand appears to have been forced at a meeting in April in Tokyo between Mr Takeshita, Japan's Prime Min-ister, and U Tun Tin, the Minister for Planning and Finance. Japan made it clear that it would not provide a 14th year loan, worth about \$250m, unless reforms were put in

plans for economic reforms at least are in place. Japan is eas-ily Burma's biggest aid donor.

defended

in Mexico

LEADERS OF Mexico's ruling

By David Gardner in

Congress seeks allied aid on defence costs | Poll victory

By Lionel Barber in Washington

THE American public's the US, including in Congress, support for the deployment of to reduce US commitments support for the deployment of US forces overseas is eroding, according to a new Congression nal report which urges Europe and Japan to share more of the defence burden.

The report, by a House armed services subcommittee, says the US is bearing a disproportionate defence burden and its allies are insufficiently

INTERNATIONAL Business

Machines, the world's largest computer company, continued to lose market share in Europe last year. IBM accounted for

32.5 per cent of the top 25 revenue-earners in 1987, down from

35.3 per cent the previous year.

Although IBM's revenues did not fall, they grew by only 16.8 per cent in dollar terms — more slowly than those of

This can be partly explained

by the large number of merg-ers and acquisitions among its

rivals during the year, accord-

CHILE has secured a one-year

extension of its three-year extended fund facility accord

with the International Mone.

tary Fund (IMF). The extension was approved in Washington on Friday and provides for Chile to receive an extra \$75m

in credits, to be disbursed on a trimestrial basis, beginning

The move marks the first

time the IMF has ever agreed to a prolongation of an extended fund facility credit.

Karlier in the week, Mr Hernan Buchi, Chile's Finance Minis-

ter, signed an agreement with the country's 400 commercial creditor banks to cut interest

rates on medium- and-long-term debt and to provide

for a return to the voluntary

By Mary Helen Spooner in Santiago

overseas. The debate on the deploy-ment of US forces overseas

goes back as far as the second world war, but it appears to have gained new momentum in this election year for a mixture

Budgetary pressures, coupled with a general anxiety about America's economic

ing to the US magazine Data-mation in the latest of its regu-

Europe's computer compa-nies increased their share of

their home market last year,

the magazine reports.

The top 25 players in the European market for computer products and services earned revenues equivalent to \$56.3hm in this market in 1987 – a 26.5 per cent increase over those of

per cent increase over those of the previous year. When the effect of the low dollar last year is taken out, revenues grew by 12 per cent.

The agreement also allows Chile to expand its foreign debt conversion...programme,...by

drawing on up to \$500m of its copper compensation fund to buy discounted debt notes on the international market. The copper compensation fund was

set up last year in response to

high prices for copper which accounts for about 35 per cent of export earnings. In addition,

Chilean debtors and their creditors may negotiate repayment in pesos, pending central bank

approval.
Chile's debt conversion programme, set up in 1965, has retired \$3.9bn of medium- and

long-term debt as of April 36, 1968, according to the central bank.

lar surveys.

credits market.

Chile secures IMF's first

fund facility extension

strength and the rise of Japan and Europe as global trading powers, have led to calls for more equitable "burden shar-

As the House report says: "Europe and Japan are not contributing or producing security resources and capabilities commensurate with their economic ability to pay." In Nato, the report says, Luxembourg, Canada, Den-

Nine of the top 25 companies

were from the US – down from 11 in 1966. The remaining 16 were all European, these

accounting for 46 per cent of the revenue earned by the top

The strong growth of com-

puter leasing companies was

Europe Computer Systems of France and Econocom Interna-

tional of The Nether-

lands - entering the top 25 for

THE FRENCH Government

THE FRENCH Government yesterday accepted the resignation of the head of the French railways after the second big Paris rail crash in six weeks, and trade unions blamed job cuts for the network's recent poor safety record, Reuter reports from Paris.

Mr Philippe Rouvilldist the director of the state owned

during a meeting with Mr Michel Delebarre, Transport

Minister, on Saturday, hours after a train crashed over the

A 29-year-old man was killed

buffers at the Gare de l'Est.

and seven passengers remained in hospital after res-cue workers cut them free from the tangled wreckage.

The crash occurred 40 days after a runsway train ploughed into a rush-hour commuter

French rail chief resigns

after second Paris crash

safety.

ilso a feature of last year, with three' such - Inspectorate International of Switzerland,

- up from 41 per cent in

mark, Portugal, Italy, Norway, West Germany, Belgium, Spain and the Netherlands appear to be doing far less than their fair

share.
A second factor influencing opinion in Congress is the willingness or otherwise of the allies to share defence "rights". Last year, American politicians were furious at initial allied

Three UK companies were represented in the top 25

- STC, Atlantic Computers and Amstrad This last entered

increase in computer revenues.

Datamation, August issue;
Cahners Publishing, 27 Paul
Street, Landon, ECLA 4JU; by

train at the Gare de Lyon, kill-

ing 56 people and raising doubts about the rail network's.

Mr Rouvillois, 53, had been head of SNCF since February,

resignation as a government

attempt to deflect public criti-cism and accused the SNCF of undermining safety through

job reductions and budget curs.
The SNCF said that first

fault which stopped his braking signal reaching the engine at the back of the train.

Institutional Revolutionary Party (PRI) say they will launch a counter-offensive against the opposition this week, to defend the victory claimed by the regime in the niuch-disputed presidential election last month reluctance to join the US in patrolling the Persian Gulf. IBM continues to lose ground in Europe

election last month.

However, they ruled out any radical reform of the party until their candidate, Mr Carlos Salinas de Gortari, has been installed as president on

the first time.

Datamation estimates that a.
third of all large computer systems acquired by European companies are now financed on basis. December 1:
The PRI's drive to regain the initiative follows the appointment last week of Mr. Manuel ment last week of Mr. Manual Camacho as the party's new secretary general, moving from the Environment Ministry. He is one of Mr. Salinas's closest political advisers and is imped as his Interior Minister. Opposition leaders: of the Left and Right last week issued a joint statement that they the list for the first time, on the back of an 80 per cent

a joint statement that they would not recognise a Salinas Government because it had not obtained a majority of the votes really cast. The left-wing coalition led by Mr. Cuauhtcoalition led by Mr. Cuaum-emoc Cardenas, a former PRI Imminary; continued to claim "a clear majority", while Mr. Manuel Clouthier of the right-wing National Action Party (PAN) called for a new elec-

Returns from about half Mexico's 55,900 polling stations have yet to be published. The electoral anthonity — on: July 13, a week after the election — gave Mr. Salinas 50.4 per cent, Mr. Cardenas 31.1 per cent, and Mr. Clophiler 37.1 per cent. when he took over the post from Mr Andre Chadesu. His replacement would be named by the Gabinet, the Transport Ministry said.

Trade unionists rejected the Trade unionists rejected the returns would be produced this refuros would be m week. He accused the Gárdenas coalition of producing a sample from its areas of strength to lemonstrate his alleged vic-

tory. Be that as it may, Mr.Caranalyses suggested Saturday's accident was caused by the denas has called for all the returns to be published. driver forgetting to switch off the engine as he pressed the brakes or by a communications Mr Camacho said his brief was to defend the PRTs victory, regroup the party; and negotiate with the opposition. "We are going on to the offen-He ruled out for the time being a restructuring which would place the Salinas group of reformists in the saddle. "It would be ingenuous to attempt reform without taking into account the 'real forces'," he said, in reference to the old

Test for Belgian Socialist realism

Tim Dickson on three months of the eighth Martens Government-

ELGIUM'S three-month-BELGIUM'S three-month-old coalition of the cen-tre and left, the eighth Government in 10 years under Mr Wilhied Martens, faces a crucial political hurdle this week when cabinet negotia-tions to find BFr50bn (£745m) of additional public spending cuts get under way in Brussels. Many observers believe the discussions could prove the biggest test yet for what is widely seen in the Belgian cap-ital as the Socialists' new realism - the left's apparent will-ingness, after its first taste of power for six years, to endorse the thrust of economic policies pursued by centre-right admin-

istrations of recent times.

Rumours of imminent political collapse are a perential distraction in Belgian politics, and there are commentators prepared to predict that the threat of further public sector cuts — in order to meet the Government's key economic commitment to a 1969 budget deficit of 7 per cent of GNP will open underlying differences within the unwieldy five-party coalition. This comprises two Socialist groups, the PS and the SP, two PS and the SP, two middle-of-the-road Christian Democratic groups, the CVP and PSC, and the Flemish Nationalist Volksunie.

What has been noteworthy about Martens VIII, on the other hand, has been the way it has gone doggedly about its business, enabling an air of relative stability to return after the uncertainties which fol-lowed the inconclusive general election of last December.

Six months in the making as the fragmented and linguistically divided parties struggled to find common ground, the Government has made impressive strides, since its formation in mid-May, in implementing its key programme of regional devolution. Last month it sur-prised the pundits with an

Belgium took another big step towards full federalism on Friday when the Senate passed a new law providing important powers for the regional authorities.

The Senate vote, which fol-

lows similar approval by the Chamber of Representatives, sets the seal on weeks of del-icate debate in the Belgian

The new powers, which include education, mean that the regions of Flanders, Wal-

ernment's political programme, follow Belgium's last package of devolution measures in 1989.

personal tax reform.

Some progress (albeit partly cosmetic) has been made in reducing the budget deficit – BFr70kn of savings are already in the bag. As one senior minister said recently: "The feeling inside the Government is good. The parties are working well together."
Perhaps the best example of

this co-operative spirit was the Cabinet's decision to go for a single reform of personal taxes, instead of the more cautious, phased changes over four years spelt out in the Governme original programme and favoured by the Socialists.

The new proposals provide for separate taxation for mem-bers of married couples, introduce a special allowance for families with one income (enabling the working spouse to attribute 30 per cent of his or her remuneration to the non-working partner), increase the minimum untaxed income for individuals and married couples, offer improvements in allowances for wage-earners with children, and reduce and simplify marginal rates.

The top marginal rate in Bel-

glum is to be cut from more than 70 per cent to 55 per on incomes next year, and there will be seven separate personal tax bands, against more than

lonia, and Brussels, and the Flemish and the Franco-phone communities, will be able to pursue their own eco-nomic and political policies nore independently than before. Details of the financing of the new powers will be discussed in the autumn. The latest reforms, an important plank of the Gov-

should help dispet Beigium's bed image as one of the most highly-taxed European coun-tries, bringing top rates more or less into line with those in France, West Germany and the Netherlands. With Mr Philippe Maystadt, Financa Minister, Mr van Rompuy is one of the architects of the reforms.

Mindful of the over-riding problem of the delicit, mean-while, the Government has of the tax-cutting package in compensatory savings elsewhere - a precaution which even the previous budget con-scious coalition of the Christian Democrats and the rightwing Liberals was not content-

plating.
Thus more than BFr46bn will be "found" by limiting existing company and individual tax concessions (including a cut in deductions for corporate investment), BFr35bn will come through a gradual increase in excise duties on alcohol, tobacco and fuel (which are now below those put forward by the European Commission as part of its har-monisation plans), and BFr/bn through more efficient tax col-



Wilfried Martens: has osen his time well

Mr van Rompuy says the net effect of the proposals is that individuals will be better off to the tune of BFr67.5bn. or about 10 per cent of the total revenue raised by taxes. Top executives will reap a particularly julcy reward, with those earning BFr10m a year estimated to receive more than BFrim more in after tax income

m area-tax income.

Mr van Rompuy adds that
the relatively easy passage of
the reforms through the Cabinet reflects the powerful popular support (confirmed by the enthusiastic press commen-tary) for tax reductions. Many voters are away on holiday so Mr Martens has cho sen a good time to pursue some of the more controversial items in his programme. Some still suspect that his party, the dominant Flemish-speaking Christian Democrats, will seek the earliest opportunity – per-haps the municipal elections in parties. Few are betting on it. -

guard of the ruling party. **Argentine prices** up 26% in July ARGENTINA'S consumer price index rose by 25.5 per cant in July, according to the latest official figures released at the weekend. This was the biggest one-mouth increase since June 1985, when the anti-inflationary Austral Plan was launched, Gary Mead reports from Buenes Aires. nes Aires. Price increases for public

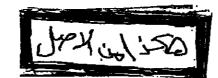
utilities of 30 per cent were announced last week so the August figure is unlikely to Prices have risen by 177.9
per cent in the first seven
months of 1988. Taken last 12 months, inflation has been 3812 per cent. Costs of food and education were the leading inflationary items in July.... President Raúl Alfonsín said

in July that his Radical Party Government would bring inflation down to single figures for each of the last three months of 1988.

TINANCIAL TIMES

Pinkancial Times
Published, by the Financial Times
(Buspel Lid., Frankfurth Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors; F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P.
Palther, Lindon, Printer: Frankfurter-Sectetates Druckwai-Gubbl, Frankfurter-Main, Responsible editor: G.D. fort/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 48Y, 6 The Financial Times Ltd, 1988.

Christian Democrats, will seek the earliest opportunity – per haps the municipal elections in October – to ditch its new left-wing partners and return to harness with its pravious right wing allies in the Liberal parties. Few are betting on it.



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an independent Palestinian

Israel.
As a first step, the document

A POLICY document allegedly seized from a prominent PLO supporter in East Jerusalem, calling for the declaration of to destroy their Israell-issued identity cards and obtain new

United Nations partition plan, has created consternation in Israel.

The centre was closed last week and Mr. Husseini re-arrested. While Israeli officials As a first step, the document have been quick to scoff at the said to have been found in timpracticality of the propostine offices of the Arab Studies als, the Foreign Ministry

admits to being deeply con-cerned about its diplomatic implications.
It estimates that between 30

Proposal for independent Palestinian state worries Israel

and 40 foreign states could recognise the self-declared Palestinian entity, creating serious problems for Israel.

In a related development, these controlled parties at the

Pressure on Shamir to annex West Bank

Israel's right is capitalising on the Jordanian withdrawal, reports Andrew Whitley

Party — yesterday issued an unprecedented statement in favour of direct talks between Israel and the PLO, provided the latter recognises the state

of Israel and renounces terror.
Contacts between Israelis
and known PLO members are
banned under a controversial three centre-left parties – the.
Citizens Rights Movement,
Mapam and the new Centre

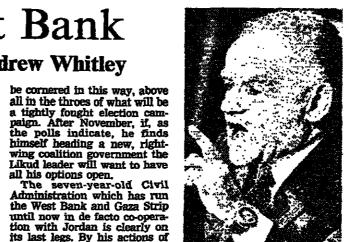
new law. Meanwhile, talks on the implications of the decimple at the implications of the decimple at the implications of the decimple.

West Bank to the PLO were held in Jerusalem yesterday between Mr Richard Murphy, the US special envoy touring the Middle East, and Israeli ministers, including Prime Minister Yitzhak Shamir and Foreign Minister Shimon Peres.

OVERSEAS NEWS

According to the usually. reliable Army Radio, Mr Shamir said any hint of rapprochement with the PLO on the part of the US would encourage the violence in the West Bank.

After the talks, Mr Murphy, the State Department's top Middle East expert, said he was convinced that King Hus-sein's distancing of Jordan from the West Bank did not mean he was "walking away from the peace process".



Shamir: faces elections

additional funds, manpower or services to the occupied territories, they may soon find they have no choice. The creeping annexation of the past two decades will have taken another lurch forward towards

King Hussein offers support for PLO 'government'

KING HUSSEIN of Jordan has supported moves in the Palestine Liberation Organisation to declare a "government-in exile," saying he would recog-nise such an institution "without hesitation".

The King, briefing reporters on his announcement that he was severing legal and administrative links with the West Bank and Gaza Strip, empha-sised repeatedly these steps had been taken in response to PLO demands for independent

Intense debate

The PLO is now engaged in an intense debate on various options following Jordan's decision to yield direct responsibility for the occupied territories to it as the sole legitimate representative of the Palestinian people. In Baghdad last week, PLO

aders held long discussions on the possible formation of a government in exile. Another measure under consideration is the declaration of an independent Palestinian state in the

West Bank.

The leadership of the eightmonth uprising in the Israelioccupied territories has prepared a document advocating

King Hussein pledged to continue moral and material sup-port for Palestinians resident in the West Bank and Gaza Strip, but he made it clear that he expected the PLO to assume greater responsibility for their

welfare.
Speaking quietly in an auditorium in his palace, the King said Jordan remained committed to a comprehensive settle-ment in the Middle East and to the idea of an international conference as a means of reviv-ing peace efforts.

No solution

He criticised both Israel and the US, which, he said, had missed repeated opportunities to advance the peace process. He said the US had conspicuously failed to exert its influence over Israel in the interests of a settlement.

Israel should realise, he said,

that no solution could come from the continued occupation of the land of others and the denial of their rights.

The King appeared to rule out the possibility of speaking on behalf of the Palestinians. That option was closed, he said. The Palestinians, he observed, must be a principal party to any future peace dis-

LOUNDERING in the wake of King Hussein's speedy disengagement of Jordan from the occupied West Bank, the Shamir Government is coming under pressure from the right to fill the resulting administrative vacuum by formally annexing the territory to Igrael.

territory to Israel.

How strong the pressure grows will-depend, though, on how much further the King goes in putting substance into the divorce.

A declaration that the Jor-

dan river will be an interna-tional frontier, for example — rather than a ceasefire line between two parts of the Hash emite kingdom, as it has been viewed by Amman for the past 21 years — could force Jeru-salem to act. Much will depend, also, on

Much will depend, also, on paign already under way for the steps adopted by the PLO the November general elections. The ultra-nationalist par-

By Maggle Ford in Secut

SEVERAL foreign companies

ities" allegedly committed by

the former Government.
Should any wrongdoing be

found by the committee, set up after the Opposition won a

majority in the National Assembly last April, any US companies found to be

involved could face difficulties

at home under the Foreign

Among deals which could face investigation are a big US

defence contract for the supply

of fighter jets to the South Kor-

ean air force by a US defence contractor, the question of two

civilian airliners supplied for the personal use of the former President, the contract for the

construction of two nuclear

power stations, the supply of rolling stock for the Seoul sub-

way and the land deal for the

construction of one of Seoul's

biggest hotels.
The committee is likely to

focus on alleged kickbacks received by the ex-President,

his family and other senior

Government officials, both over foreign contracts and

domestic business deals.
Two other controversial

committees have also com-

pleted their requests for wit-

nesses and hope to start work :

Corrupt Practices Act.

S Korea to probe

which did business with South into the 1980 Kwangju incident Korea during the regime of former President Chan Doo Hwan are expected to come under down resistance to martial law

scrutiny by parliamentary in the provincial city.

committees probing "irregular
Mr Kim Dae Jung, now the

'corrupt' deals

LOUNDERING in the wake of King Hussein's National Council, its top delib-speedy disengagement extablisherative body. The establishment of a "government in-exile" or a unilateral declaration of independence for the occupled territories — an essenfially rhetorical move — might raise the temperature in Israel to boiling went

to boiling point.

On several occasions over the past week, Prime Minister Yitzhak Shamir rebuffed the annexation demands, some of which came from senior ministers in his own Likud bloc, arguing that to do so would underwine Israel's commitundermine Israel's commitment to the 1978 Camp David

But even if King Hussein and the PLO do nothing else, the issue is now sure to become a theme in the cam-

One has been set up to look

leader of the largest opposition party, was charged with sedi-tion and sentenced to death.

He is expected to testify, and

may be joined by the then President, Mr Choi Kyu Hah, the US ambassador at the time, Mr William Gleysteen, and the commander of the US and South home

Wicknam.
The third committee, which will investigate claims of election fraud, has now completed its witness list, which includes the presidents of both state-owned broadcasting stations, the characters of the election

the chairman of the election

management committee, the

former Prime Minister, Defence

and Home Ministers and the former Army Chief of Staff.
Ruling party members of the

committee presented 27 allega-tions of cheating, including computer fabrication in the

count, black propaganda and illegal campaign contributions. Opposition parties listed gov-

ernment officials' involvement, forced mobilisation of voters,

and vote buying and manipula-

tion.
This committee has also

demanded that former Presi-

dent Chun testify. The ruling

party appeared to be moving close to real life on un towards a compromise on this. It transport systems.

ties of the right, riding a bandwagon of growing support, especially among the young, will see to that, if only to lure to be extended immediately to be cornered in this way, above all in the throes of what will be a tightly fought election campaign. After November, if, as

ties of the right, riding a band-wagon of growing support, especially among the young, will see to that, if only to lure votes away from the Likud.

Protesting that following the King's speech of last Sunday the Government had missed a golden opportunity to declare Israeli sovereignty over the entire area, Prof Yuval Ne'centire area. Prof Yuval Ne'e-man, a Tehiya parliamentar-ian, warned that the alterna-tive was the PLO. During a rally on Wednesday on the Allenby Bridge, the main cross-ing point between the West and East Bank, a fellow Knes-set member, Mrs Geula Cohen. reminded Jordan that Israeli revanchism, based on Biblical claims to all the lands settled by the 12 Jewish tribes, also extended to the other side of the river.

At yesterday's Cabinet meeting, Mr Ariel Sharon, Trade

In business

Tokyo.

The main purposes of the college is to train clowns, following the example of a similar Ringling Brothers college in Florida. (Graduates get a bachelor of fun arts degree.)

However, Mr Kenneth Feld, the impresario who rescand

Ringling Brothers in 1967, said the college would also

invite businessmen to join the

"We hope it will help them become less untight," he told foreign journalists in Tokyo

esterday. Mr Feld was in Tokyo in

connection with the circus's

current tour of Japan. The

tour has already proved event-

He said that Japanese andi-

ences in Sapporo, where the tour began last month, were appelled by the smell of the 16

elephants. They also found

nothing funny about 18 clowns

getting out of a tiny car, pre-

sumably because it was too close to real life on urban pub-

to clown

around

By lan Rodger

Tokyo.

those parts of the West Bank either deemed essential for Israel's security or thinly populated by Arabs. This includes the Jordan river valley, where many Jewish frontline settle-ments have been in place since Public backing for Mr Sharon has also come from Mr

Yitzhak Modai, the former Finance Minister, a member of the policy-making inner Cabinet. In the light of King Hussein's declaration, he said Israel was no longer an occupying power. It should therefore abrogate Jordanian law still in force in the West Bank and dismantle the military-run Civil Administration.

Mr Shamir is too experienced a politician to let himself

Rabin that Israel will not step into the breach, by providing Japanese graduates in demand

The seven-year-old Civil Administration which has run the West Bank and Gaza Strip

until now in de facto co-opera-tion with Jordan is clearly on

its last legs. By his actions of the past few days King Hussem has effectively delegitimised

the 18,000 or so Palestinian

civil servants in the territories.

He has also spurred the growth

of a parallel subterranean.

For all the recent declara-

tions of Mr Shamir and Defence Minister Yitzhak

administrative structure.

By lan Rodger in Tokyo

JAPANESE university and college graduates will probably face a sellers' market next spring for the first time in JAPANESE businessmen are three years, thanks to a booming business climate.
According to a recent survey about to be invited to practise

being clowns, as a way of becoming more relaxed and of 2,249 quoted companies by the Nihon Keizai Shimbun, Japan's leading business news-Ringling Brothers and Barnum & Bailey Circus, the famous US circus group, has made an agreement with a paper, hiring will be up on average by about 18 per cent over last year. The hiring sea-Japanese company to set up a clown college next year in son begins next month. The survey results reflected

many of the current trends in the Japanese economy.

Export-oriented manufac turing companies are coming back to the market in force after two sluggish years. Matsushita Electric Indus-

trial, the electronic products

group, plans to hire 3,200 university graduates next spring, nearly double the 1,200 it took this year, and the largest num-ber among the companies surveyed. Nissan Motor is looking for 1,150, compared with only 66 last year.

Service sector companies

are now among the main employers of graduates, as they seek to upgrade their management staffs in anticipa-tion of strong business growth and market liberalisation.

The Sogo department store group ranks sixth in the table, with plans to hire 1,874 university graduates, and two super-market groups, Daiei and Ito-yokado, are eighth and 10th respectively.

• A quarter of the companies

surveyed said they would be hiring more women graduates next year, particularly those in distribution, finance, electronics, telecommunications and food sectors. The Government

terms with men. Securities companies, which have been among the largest employers of graduates in recent years because of the long boom in the Japanese stock markets, have pulled in

passed a law in 1985 encourag-

ment jobs to women on equal

their horns this year.

Their hiring plans are down about four per cent, apparently because of the dampening effect on business of last October's worldwide market

Afghan rebel leaders call for united guerrilla army By Christina Lamb in Peshawar

A GROUP of Afghan resistance commanders, including the well-known Mr Ahmat Shah Massoud, has accused the fundamentalist party Hezb-i-Islami of blocking their arms supply, and said that the resistance ing companies to offer managewill not win unless a regular army is created from the various guerrilla factions. The delegation of command-

ers, all from northern Afghaners, all from northern Afghanistan, say territory can only be captured as the Soviet Union withdraws if "all groups are collected into an army so as to facilitate logistics, planning and expansion".

The commanders, mainly from the Jamiat faction, represent a new organisation called the Supervisory Council of the Government.

His representatives den that he has done a deal wit kabul but confirm that he has done a deal wit kabul but confirm that he has done a deal wit waste of armunition".

The Soviet bave now with drawn from all of sout Afghanistan, including the strategic town of Kandahar.

North, headed by Mr Massoud. So far the Jamiat leader, Professor Rabbani, is the only one of the seven resistance leaders to approve their proposal. Mr Massoud has been one of the most successful command-

ers of the war and claims to control 10 of the 31 Afghan provinces, though the provincial towns are still under the control of the Government.

His representatives deny that he has done a deal with Kabul but confirm that he has agreed not to fire on departing Soviet troops, terming it a "waste of ammunition".

The Soviets have now with-drawn from all of south Afghanistan, including the

Company Notices

European Economic Community

(E.E.C.)

ECU 70,000,000 11 1/4 % 1983-1993 Bonds

On July 25, 1988, Bonds for the amount of ECU 8,750,000 have been drawn in the presence of a Notary Public for redemption on September 15, 1988. The following Bonds will be redeemable coupon due September 15, 1989 and following attached: 40788 to 49537 incl.

Amount outstanding: ECU 43,750,000 Outstanding drawn Bonds:

	Culpiar ion	A CHEMIL DOING	•	•				
	18462 to	18492 incl.	18500 to	18544 incl.	18555 to	18564 Incl.	18584 to 18605 incl.	
	18611 to	18624 incl.	18637 to	18650 incl.	18654 to	18670 incl.	18691 and 18692	
	18703 to	18710 incl.	18730 to	18749 incl.	18753 to	18762 incl.	18838 to 18856 incl.	
	18892 to	18918 incl.	18963 and		18968 to	18983 incl.	19020 to 19033 incl.	
	19086	40470 1-1	19096 to	19123 incl.	19145 to	19154 incl.	19157 to 19166 incl.	
	19170 to	19176 incl.	19179 to	19189 incl.	19232 to	19236 incl.	19242 to 19244 incl.	
	19265 to	19274 incl.	19319 to	19324 incl.	19359 to	19368 incl.	19395 to 19423 incl.	
	19446 to	19457 incl.	19467 to	19504 incl. 19714 incl.	19527 to	19547 incl.	19570 to 19572 incl.	
	19603 to	19607 incl. 19800 incl.	19659 to 19887 to	19714 mc. 19902 incl.	19729 to 19964 to	19733 incl. 19971 incl.	19753 to 19756 incl.	
	19780 to 20059 to	20134 incl.	20213 to	20262 incl.	20361 and		20043 to 20053 incl. 20415 to 20427 incl.	
	20483 and		20506 to	20510 incl.	20531 to	20502 20541 incl.	20567 to 20635 incl.	
	20651 to	20682 incl.	20710 to	20715 incl.	20727 to	20753 incl.	20758 to 20768 incl.	
	20776 to	20847 incl.	20859 and		20871 to	20875 incl.	20881	,
	20889 to	20902 incl.	20908 and		20918 to	20923 Incl.	20930 to 20945 incl.	
	20948 to	20955 incl.	20961 to	20967 incl.	20970 to	20977 incl.	21005 and 21006	'
	21009 to	21027 incl.	21032 to	21046 incl.	21070		21072 to 21079 incl.	
	21,082 to	21098 incl.	21101 to	21117 incl.	21125 to	21131 incl.	21145 to 21150 incl.	
	21206 to	21229 incl.	21267 to	21307 incl.	21340 and	21341	21343 to 21348 incl.	
	21387 to	21390 incl.	21411 to	21421 Incl.	21424 to	21473 incl.	21498 to 21509 incl.	
	21521 to	21533 incl.	21543 to	21564 incl.	21568 to	21587 incl.	21590 to 21603 incl.	
	21622 to	21631 incl.	21653 to	21655 incl.	21665 to	21673 incl.	21678 to 21681 Incl.	,
	21698 to	21731 incl.	21743 to	21754 incl.	21756 to	21758 incl.	21808 to 21823 incl.	
	21830 to	21853 incl.	21884 to	21906 incl.	21920 to	21922 incl.	21928 to 22076 incl.	1
	22092 to	22101 incl.	22103 to	22112 incl.	22175 to	22193 incl.	22197	
	22199 to	22213 incl.	22215 to 22536 and	22247 incl	22267 and	22268 . 22568 incl.	22290 to 22396 incl.	
	22449 to 22632 and	22480 incl.	22335 and 22829 to	22859 incl.	22566 to 22873 to	22306 mcl. 22880 incl.	22572 to 22591 incl. 22889 to 22907 incl.	1
	22921 to	22941 incl.		22999 incl.	23025 to	23028 incl.	23113 to 23237 incl.	
	23260 to	23270 incl.	23274 to	23281 incl.	23322 to	23344 incl.	23417 to 23422 incl.	
•	23425 to	23437 incl.	23459 to	23497 incl.	23512 to	23575 incl.	23583 to 23596 incl.	
	23618 to	23621 incl.	23660 to	23718 incl.	23781 to	23803 incl.	23879 to 23939 incl.	
	23960 to	23962 incl.	23964 to	23967 incl.	23976 to	23979 incl.	24021 and 24022	1
	24065 to	24074 incl.	24142 to	24146 Incl.	24202 to	24207 incl.	24212 to 24216 incl.	
	24304 to	24307 incl.	24376 to	24380 incl.	24416 to	24425 incl.	24431 to 24441 incl.	
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	25791 to	25801 incl.	25851 to	25853 incl.		25888 incl.	26168 and 26169	
	26172 to	26235 incl.	26237 to	26264 inci.		26323 incl.	26401 to 26411 incl.	
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	26780 to	26799 incl.	26812 to	26815 incl.		26925 inci.	26929 and 26930	
	27062 to	27064 incl.	27071 to	27077 incl.		27125 incl.	27134 to 27139 incl.	
	27167 10	27172 incl.	27174 to	27189 inci.		27205 incl.	27210 and 27211	
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	32283 and	222R4	32475 to	32477 incl		32631 incl.	32678 to 32680 incl.	
	32786 to	32791 incl.	32878 to	32884 incl.			33092	
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		34730 Incl.	34831 to	34835 incl.		35494 incl.	35540	
		35585 incl.		35638 incl.		36187 incl.	36910 to 36921 incl.	
	36940	COCOO BIOL	36991 to	36993 incl.	37003 and		37423 and 37424	
	38026			38288 inci.		38353 incl.	38512 and 38513	
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Luxembourg, August B. 1988

38026 38602

LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 74/01477/06

ELANDSRAND GOLD MINING COMPANY

Application has been made to the Council of the Stock Exchange, London for the undermentioned shares to be admitted to the Official List:

400,000 'S' ordinary shares of 20 cents each

An Extel card containing Listing Particulars relating to the above shares has been circulated by Extel Financial Limited.

Copies of the Listing Particulars will be available to the public for a period of 14 days from the date of this notice, during normal business hours, at the following addresses:

London Office 40 Holborn Viaduct LONDON ECIP (AJ

Hill Samuel Registrars Limited 6 Greencoat Piace

London Brokers

LONDON SWIP IPL Rowe & Pitman Limited

I Finsbury Avenue LONDON ECIM 2PA Copies of the Listing Particulars will also be available for collection only for two business days following the date of this notice from:

The Company Announcements Office
The International Stock Exchange

8th August 1988

FREE STATE CONSOLIDATED GOLD MENES LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 05/28210/06

Application has been made to the Council of the Stock Exchange, London for the undermentioned shares to be admitted to the Official List: 2,700,000 'S' ordinary shares of 50 cents each

An Extel card containing Listing Particulars relating to the ab-shares has been circulated by Extel Financial Limited. Copies of the Listing Particulars will be available to the public for a period of 14 days from the date of this notice, during normal business hours, at the

London Office

United Kingdom Registrars -

40 Holborn Vinduct LONDON ECIP IAJ Hill Samuel Registrars Limited 6 Greencoat Place LONDON SWIP IPL

London Brokers

- Rowe & Pitman Limited l Finsbury Avenue LONDON EC2M 2PA

Copies of the Listing Particulars will also be available for collection only for two business days following the date of this notice from:

The Company Announcement Office The International Stock Exchange 46-50 Finsbury Square LONDON EC2A 1DD

Clubs

Art Galleries

8th August 1988

RICHARD **GREEN**

4 New Bond Street, W1 493 3939 MODERN **BRITISH PAINTINGS** Mon-Fri 10-6, Sats 10-12.30

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outlived the others because of a policy on fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

NIPPON SEIKO K.K.

U.S.\$70,000,000 31/4 per cent. Convertible Bonds 1999

NOTICE TO HOLDERS OF

NIPPON SEIKO K.K. (the "Company") has, at its general meeting of shareholders held on 22nd July, 1988, resolved to change its financial year-end from 30th April to 31st March. As a transitional measure, the Company will have an eleven month financial period running from 1st May, 1988 until 31st March, 1989 and thereafter its financial year will run from 1st April until 31st March in the next year,

Accordingly, the record dates for the payment by the Company of annual dividends and interim dividends will become 31st March and 30th September, respectively, in each year, except for the fiscal period running from 1st May, 1988 until 31st March, 1989 where there will be no interim dividend or record date therefor.

Any shares of common stock of the Company ("Shares") issued upon conversion of any of the \$3.\$70,000,000 3% per cent. Convertible Bonds 1999 (the "Bonds") during the eleven month period from 1st May, 1988 to 31st March, 1989 will be paid full dividends declared in respect of such period; any Shares issued on conversion of Bonds on or after 1st April, 1989 will be paid full dividends declared in respect of the relevant six month period ending on 31st March or 30th September during which

the conversion occurs. The interest payment dates in respect of the Bonds remain unchanged as 30th April and 31st October. With effect from 1st April, 1989, if any Bond is converted during the month of April or October in any year, five months' interest accrued on such Bond to the immediately preceding 31st March or 30th September will be paid to the converting Bondholder. Such payment will be made in the manner specified in the relevant Conversion Notice.

The Company and The Fuji Bank and Trust Company, as trustee in respect of the Bonds (the "Trustee!"), have entered into a Supplemental. Trust Deed dated 22nd July, 1988 amending the Trust Deed dated 5th November, 1984 constituting the Bonds so as to reflect the changes referred to above. Copies of such Supplemental Trust deed are available for inspection at the principal office of the Trustee, presently being at One World Trade Center, New York, N.Y. 10048, and at the specified offices of each of the Paying Agents and Conversion Agents in respect of the Bonds. No physical amendment will be made to definitive Bonds in issue.

NIPPON SEIKO K.K.

Toshio Arata President and Representative Director

37003 and 37004 37423 and 37424 38351 to 38353 incl. 38512 and 38513

The Principal Paying Agent

KREDIETBANK

S.A LUXEMBOURGEOISE

40038 to 40048 incl. 40299 to 40304 incl.

OVERSEAS NEWS

Dismantling the barriers to an EC-wide education

Free movement of people as well as of capital is to be encouraged, reports David Thomas

RY signing on for an Italian course at Siena University, as a friend of mine did recently, and you soon become aware of the limits of the European internal market. If you are not Italian. the university will demand documentation of a quantity likely to put off all but the most determined.

Siena is in no way untypical Schools, universities and train-ing institutes throughout catering overwhelming for their own nationals. A British teacher has felt no need to understand the educational system in West Germany, let

alone Greece.

This mutual ignorance has not seemed to trouble the European Commission greatly in the past. Its 1985 white paper on completing the inter-nal market devoted just 1% of its 55 pages to the matter. Yet awareness has been

growing that the right of workers from one EC country to work in another is hollow unless education and training roadblocks are dismantled. The Commission seems increasingly concerned that 1992 will never capture the popular imagination if it appears to be solely about the movement of goods and capital, not people. Just as important, there are

signs of greater contact on the ground. While my friend was hammering on the doors at Siena, Mrs Marialetitzia Bologni, an official of the same university, was visiting Bristol University in the UK on a factfinding mission. The two universities got as far as identifying barriers hindering the exchange of students, such as the lack of student accommo-

This outburst of Euro-enthusiasm in the world of education is due in no small measure to

Called

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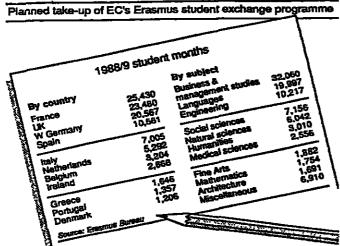
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recent Commission initiatives. These fall broadly into two

• Exchanges of students and staff. The Erasmus programme, launched by the Com-mission in June 1987, initially for three years, aims to encour-age a freer flow of students and staff between higher education

far ahead of the funds available. The number is planned to double to 6,500 in 1988-89. Business and management studies have emerged as by far the most popular subjects for Eras-mus exchanges, followed by languages and engineering. Erasmus has acted as a catalyst to boost inter-university



institutions in the different

member states.
There was much disappointment in the educational world that ministers halved the Commission's original budget for Erasmus, agreeing instead to Ecu 85m (£55m) for the first three years. This cut forced the Commission to drop its ambitious target of having 10 per cent of EC students carrying out part of their studies in another member state by 1992. Nevertheless, there is much self-congratulation about Eras-

mus's early progress. Erasmus encourages lengthy exchanges, typically of a year's length. About 3,000 students received Erasmus grants in 1987-88, with demand running co-operation. A notable example is the Coimbra Group, founded last year, which comprises more than 20 of the older universities throughout the EC, including Oxford, Edin-burgh, Louvain, Caen, Gottin-gen, Heidelburg, Dublin, Bolo-gna, Siena, Leiden, Coimbra

Links within the group have paved the way for Erasmus exchanges, but Mr Peter Floor, director of academic affairs at Leiden University, who chairs the group, believes its potential is much wider in the run-up to 1992. He sees scope for members to collaborate in multi-national bids for research pro-

and Granada.

NOTICE OF REDEMPTION

To the Holders of

A/S Eksportfinans

13%% Sinking Fund Debentures Due 1992

CUSIP No. 282645AA8* NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Indenture dated as of June 15, 1982, as supplemented (the

"Indenture"), between A/S Eksportfinans and United States Trust Company of New York, Successor Trustee (the "Trustee"),

that \$60,000,000 principal amount of A/S Eksportfinans 13%% Sinking Fund Debentures Due 1992 (the "Debentures") has been selected by the Trustee for redemption on September 1, 1988 at a Redemption Price equal to 100% of the principal amount

thereof in accordance with the Sinking Fund provided for by the terms of the Debentures and as specified in Section 1203 of

The certificate numbers of the Bearer Bonds in the principal amount of \$5,000 bearing the prefix C to be redeemed in whole:

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The certificate numbers of the Registered Bonds in the principal amount of unlimited

bearing the prefix R to be redeemed in whole or in part:

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A/S Eksportfinans

By: BANKERS TRUST COMPANY, as Administrative Agent of United States Trust Company of New York, the Trustee

Mutual recognition of quali-

fications. The Commission envisages qualifications gained in one EC country being readily recognised in another or even students studying for a

qualification by completing courses in different countries. Most effort so far has gone into professional qualifications, where the potential for crossborder movement seems greatest. The Commission originally sought directives harmonising the qualifications needed for specific professions: grindingly slow progress resulted in directives for doctors, dentists, nurses, vets, architects, mid-wives and pharmacists.

More recently, however, the Commission has changed tack with its proposal for a general directive setting up a system for the mutual recognition of professional qualifications of degree or equivalent level. The directive, now in its final stages in Brussels, should come into effect at the start of

In future, professionals such as lawyers, accountants, teachers, surveyors and engineers will have their basic qualification recognised across the EC: the most they will have to take when moving across bound-aries is a bridging course in the peculiarities of their new

country.
The Commission would like something similar for voca-tional qualifications. The prob-lems of agreeing on a basis by which, say, toolmakers, car mechanics or carpenters can move from country to country are horrific, not least because few of the skills are regulated in the same way as with pro-

Progress has been under-standably slow, although Mr Manuel Marin, EC vice-president for education and train-ing, recently talked of work nearing completion on 25 quali-

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fications in the catering car-repair and construction sec-

The Erasmus programme is also geared to breaking down the qualifications barrier, albeit in different form, for it is essential to Erasmus that stu-dents spending a year in a for-eign university be able to count that year towards their degree back home.

This happens at present in a limited way, usually through bilateral arrangements between universities in specific subjects. Thus, Bristol swaps history students with Glessen in West Germany for a year, a programme which took lots of hard work and enthusiasm to

set up.

The next phase of Erasmus
will be the grandiosely-named
European Community Course

Suctory which Credit Transfer System, which will try to formalise these pre-viously ad hoc arrangements. About 80 pilot projects are due to be launched in 1989. Some see the ultimate goal as a modular degree, whereby students will be able to complete a degree by taking courses at several different EC universi-

whether all this activity is worth the trouble. The number of people using the specific directives on mutual recogni-tion already passed for some professions has been relatively small: in 1986, 1,916 doctors took advantage of the provi-sion across the EC, while the number was even smaller in

the case of nurses (1,108), dentists (412) and midwives (57).

There seems less likelihood still of a flood of lawyers and accountants using the new general directive, a point acknowledged even by officials involved in the initiative. The freedom of lawyers or accountants to move is academic tents to move is academic unless they are familiar both with legal and accountancy conventions and with the

markedly different responsibili-

MARKET ties of such professions in for-eign countries. Moreover, the legal implications of foreigners

EUROPEAN

The prospect of thousands of skilled workers moving from Birmingham to Turin, or vice versa, appears just as remote, a point acknowledged by a Com-mission official who said EC

setting up professional partner-ships needs to be clarified further by the EC.

programmes were really aimed at "mobility of the well quali-fied, not mass mobility". Language barriers, the perennial Euro-hurdle, would prevent anything more ambitious. The Commission acknow ledged this in a paper pub-

lished in May on education, which sketched out an ambitious programme for 1992. Many more resources for lan-guage training, introducing a European dimension into school curricula, European-fo-cused training for teachers and work on mutual recognition of

work on mutual recognition of school-leaving qualifications were just some of the ideas outlined. Whether member states will cough up the money when the Commission comes back with specific proposals next year remains to be seen.

SHIPPING REPORT Oil flattens tanker market

By Kevin Brown, Transport Correspondent

BROKERS said business was largely flat in the tanker mar-ket last week, following another inconclusive meeting of the Organisation of Petroleum Exporting Countries.

Galbraith's, the London brokers, said the only real burst of activity was in the North Sea, where rates rose slightly before

retreating to about Worldscale 80/85 for vessels of 80,000 dwt.
Rates fell again in the Mediterranean and now stand at about Worldscale 85 for 80,000 tons, compared with a recent peak of up to Worldscale 110. In the Gulf, there was a steady stream of inquiries for very large and ultra large crude carriers.

Commission may speed Channel Tunnel aid

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By Hazel Duffy, in London

THE European Commission may short-circuit normal means to assist EC regions to help two areas to prepare for the impact of the Channel Tunnel, due to open in 1983.

The leaders of Kent County Council and the Nord-Pas de Calais Regional Council - re-Calais Regional Council - responsible for the regions in the UE and France respectively where the tunnel entrances will be - last mouth submitted a joint outline plan direct to Mr Jacques Delica Commission. Applications are usually made by the governments of member states.

The springboard for the joint appeal to Brussels that both region know that their resources - human and physical - are inadequate to deal with the impact of the Tunnel.

Projects backed may include nvestment in telecommunications so that, for Instance. both regions could become attractive locations for multinational corporations which link to branches worldwide. The Commission is believed to be sympathetic to the idea of helping both regions, partic-ularly the coastal strips which

will be most directly affected. The joint application, stemming from an economic agreement between the Councils, has attractions to the Commission which is anxious to promote the benefits of greater Europeanisation to the

WORLD ECONOMIC INDICATORS

TRADE STATISTICS									
		June '88	May '88	Apr. '88	June '87				
UK (Ebn)	exports	6.819	6.542	6.854	6.412				
	imports	8.34	8.186	8.021	7,205				
	balance	-1.521	-1.644	-1.167	-0.793				
Japan (US\$bn)	exports	21,250	20.888	20.615	18.281				
	imports	15.070	13,489	12,880	11,057				
	balance	6.180	6.799	7.735	7.224				
France (FFr.bn)	exports	83.60	81.93	79.16	72.76				
(imports	84.50	83.36	81.50	78.51				
	balance	-0.90	-1.43	-2.34	-3.75				
		May '88	Apr. '88	Mar. '88	May '87				
JS (\$bn)	exports	26.624	26,029	26,877	20,262				
•	imports	37.555	36,333	38,580	34.337				
	balance	-10.931	-10.304	-11,703	-14.075				
		Apr. '88	Mar.'88	Feb.'88	Apr. '87				
W. Germany (DMbn)	exports	44.48	43.27	41.85	43.77				
• • •	imports	33.54	36.08	33.46	39.72				
	balance	10.94	7.21	8.39	10.05				

Contracts & Tenders

MINISTRY FINANCE 0 F PORTUGAL

PERIOD FOR SUBMISSION OF **INTERNATIONAL TENDERS** FOR PRE-QUALIFICATION FOR ECONOMIC AND FINANCIAL ASSESSMENT AND TECHNICAL

ASSISTANCE IN THE PRIVATISATION PROCESS

We hereby announce that, until 8 p.m. of the 16th August, 1988, a period for submission of tenders is open for the pregualification of entities for the economic and financial assessment of public sector enterprises and technical assistance in view of the privatisation process, recently started by the Portuguese Government.

Interested entities in pre-qualification should present their application in accordance with the regulations attached to the Minister's Dispatch published in the supplement of the official journal "Diário da República", Il séri, of the 15th of July, 1988.

These regulations may also be consulted at the "Junta de Crédito Público" in Lisbon (Praça do Comércio, 1100 Lisboa) or in its Oporto branch (Banco de Portugal, Praça da Liberdade no 92, 4000 PORTO) during normal business hours.

Lisbon, 15th of July, 1988

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-	Ass. Brit. Incl. CUILS	232	ō	10.0	43	
975	Arraitage and Rhodes	39	+1			
3329	BBB Design Groce (USM)	39	-1	2.1	5.3	6.2
113786	Bardon Group	167	+1	27	1.6	28.5
19064	Bardon Group Conv. Pref	115		6.7	6.7	20.2
7925	Boar Technologies	177	ŏ	5.2	3.6	10.2
	Branhill Con Pref	107	ŏ	11.0	3.6 11.0	10.2
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16740	Carbo Pls (SE)	145	ŏ	14.7	9.5	
763	Carbo 7.5% Pref (SE)		_	6.1	4.2	7.2
	George Blair	. <i>14774</i> 2 288	.0	10.3	9.4	_ :
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	Robert Jenkins	105mg	0	-	-	4.6
	Scrictons	430	+5	8.0	1.9	39.1
	Torday & Carilsle	233 _m	+1	7,7	3.3	7.7
	Trevian Holdings (USM)	83	+1	2.7	33	8.9
	Unistrat Europe Coor Pref	108	0	8.0	7.6	-
6137	W. S. Yestes	292	+1	- 16.2	5.5	7.9
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NOTICE OF MODIFICATION OF WARRANTS

NIPPON SEIKO K.K.

U.S.\$200,000,000 4¼ per cent. Bonds 1993 Warrants to subscribe for Shares of common stock of NIPPON SEIKO K.K.

NOTICE IS HEREBY GIVEN, in accordance with the Instrument by way of deed poil executed on 8th April, 1988 by Nippon Sellon K.K. (the "Company") in connection with its issue of bearer warrants ("Warrants") to subscribe up to \$25,340,000,000 for shares of common stock of the Company, that from 22nd July, 1988 the Dividend Accrual Period referred to in Condition 4 of the Terms and Conditions of the Warrants shall mean the eleven month period from 1st May, 1988 to 31st March, 1989 and thereafter each six month period ending on 31st March or 30th September in each year. This modification is made consequent to a resolution dated 22nd July, 1988 of the general meeting of the shareholders of the Company changing the fiscal year of the Company.

Company.

Shares issued upon exercise of any Warrant during the period from 1st May, 1988 to 31st March, 1989 shall entitle the holders thereof to participate in full in any dividend on the Shares with respect to the entire eleven month Dividend Accrual Period from 1st May, 1988 to 31st March, 1989 in accordance with Condition 4 of the Terms and Conditions of the Warrants.

NIPPON SEIKO KK Toshio Aratz

int and Representative Director

Dzted: 8th August, 1988

Subject to the receipt of required funds by Bankers Trust Company, the Debentures or portions thereof so designated for redemption will become due and payable, at 100% of the principal amount thereof, upon presentation or surrender thereof, on or after September 1, 1988 at the office of Bankers Trust Company, Corporate Trust and Agency Group, Equity Finance Products Division, 123 Washington Street, First Floor, New York, New York. If by mail, the Debentures should be sent to Bankers Trust Company, Corporate Trust and Agency Group, Equity Finance Products Division, P.O. Box 2579, Church Street Station, New York, New York 10008 or in either such case to Bankers Trust Company, London, subject to any applicable laws or regulations in the country where the office is leached. laws or regulations in the country where the office is located.

On and after September 1, 1988 interest on the Debentures or portions thereof so designated for redemption will cease to accrue. Payment of the registered interest due September 1, 1988 will be made in the usual manner. Redeemed bearer Debentures should be presented with all coupons maturing after September 1, 1988. Coupons maturing on September 1, 1988 and prior thereto should be detached and surrendered in the usual manner. Upon presentation for redemption of Debentures which are to be redeemed in part cally as above greatified a new Debenture of said 1922. Sinking Fund Debentures Due 1992, of

Dated: August 1, 1988

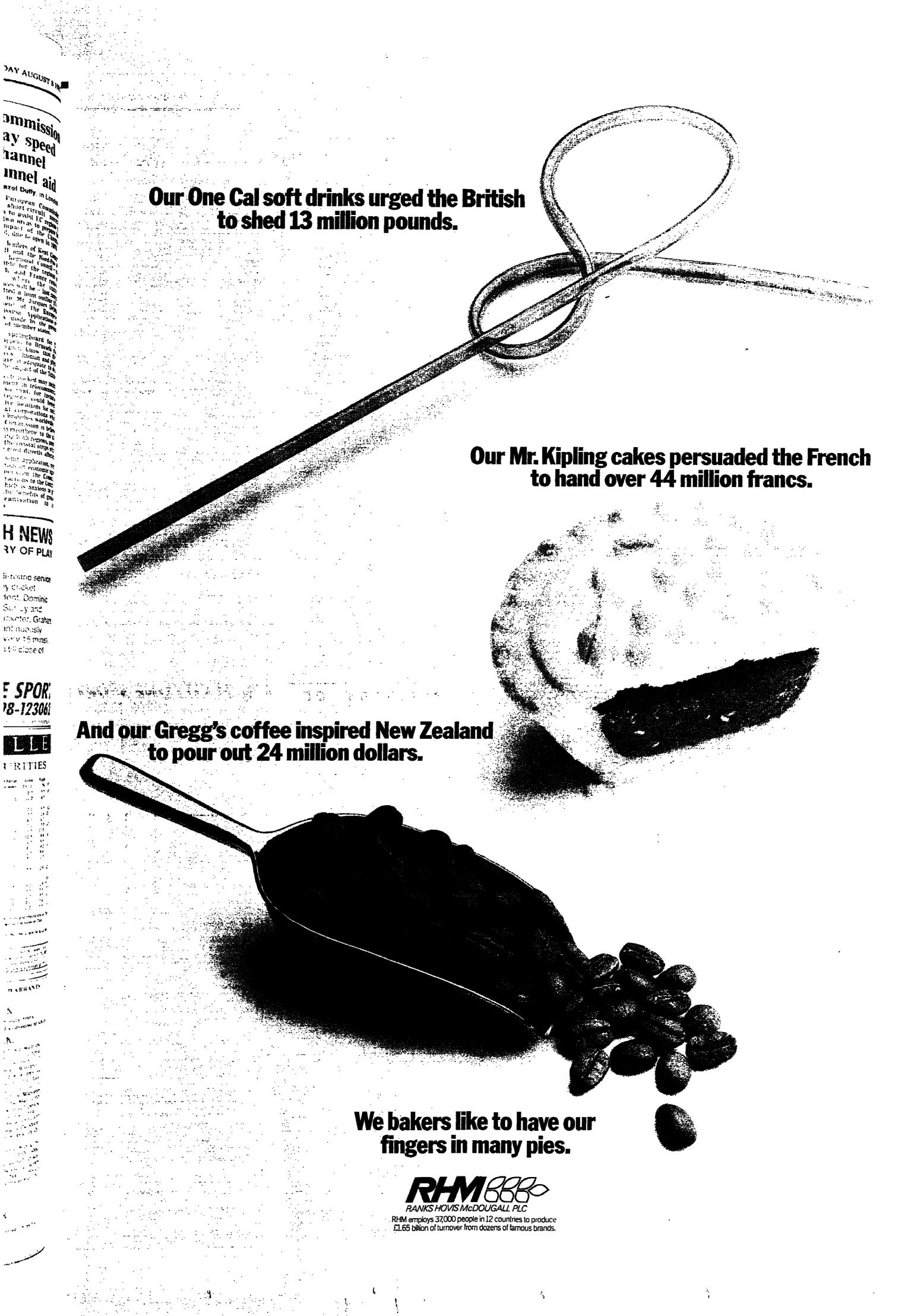
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which are to be redeemed in part only as above specified, a new Debenture of said 13%% Sinking Fund Debentures Due 1992, of a principal amount equal to the unredeemed portion of each such Debentures, will be issued in lieu thereof.

Please read this notice carefully

Under Federal income tax law, paying agents may be required to withhold 20% of payments to holders presenting their securities for redemption or for payment at maturity if such holders have failed to furnish a taxpayer identification number to the Paying Agent certified to be correct under penalties of perjury (or that such holder is awaiting a taxpayer identification number). Certification may be made to the Paying Agent on a Letter of Transmittal obtained from said Paying Agent, which should be completed and returned with the called securities.

*This CUSIP number has been assigned to this issue by Standard and Poor's Corporation, and is included solely for the convenience of the Debentureholders. Neither A/S Eksportfinans nor the Trustee shall be responsible for the selection or use of this CUSIP number, nor is any representation made as to its correctness on the Debentures or as indicated in any redemption notice.



Prospect of spending curb worries civil engineers

By Andrew Taylor, Construction Correspondent

CIVIL engineering companies are becoming increasingly con-cerned that Government attempts to stem rises in infla-tion will result in a tighter grip on public spending on infra-

Civil engineers, who are involved in the heavier end of construction, receive about 90 per cent of their work from the public sector.

The Treasury, in the run-up to the autumn public spending negotiations, has warned that it will take a tough stance against ministers seeking big increases in expenditure on the back of buoyant government

neering Contractors says in its latest workload survey, published today, that there has been a slowing in the rate of increase in civil engineering

The Federation of Civil Engi-

Mr Ron Emery, the federation's director-general, said the slower progress was to be

expected "given tight cash limits on public sector invest-ment in infrastructure." In June the Department of Transport imposed a morato-rium on the placing of motorway and trunk road repair contracts while an expenditure

Mr Peter Bottomley, a junior transport minister, told MPs that spending on road contracts had been going ahead faster than planned. One reason was that tender prices from contractors had been higher than expected. The British Road Federation

review was conducted.

has claimed that up to £80m of motorway and trunk road work may be lost in the cur-rent financial year as a result of the moratorium.

Mr Emery said civil engineers were also concerned that water authorities were delaying capital investment in order to make their balance sheets look better before priva-

Talks with France over N-missile 'still on'

By David White, **Defence Correspondent**

THE Government yesterday denied a report that it had abandoned discussions with France on a new stand-off nuclear missile.

Contact between experts in France, Britain and the US started earlier this year on possible co-operation on a new air-launched weapon, which would replace the UK's current free-fall nuclear bomb, the WE177.

The Ministry of Defence said it was continuing to discuss collaboration with the French, first raised in London last month by Mr George Younger, the Defence Secretary, and Mr Jean-Pierre Chevenement, his French counterpart.

The ASMP missile already in service in France was considnumber of firms reporting problems due to labour and material shortages. ered by the UK to be "a very impressive system," an MoD spokesman said.

Pitfalls in ordination of women

Alan Pike examines a testing task for the Anglican hierarchy

heaven or earth so momentous that it cannot be reduced in scale by the antiseptic atmosphere of a modern British university.

A group of men who trace

their succession to office directly from the Apostles last week reached a decision which will vary 2,000 years of tradi-tion and pave the way for the consecration of women hishops in the Anglican church.

More than 500 bishops attending the Lambeth Confer-

ence took their vote not at Lambeth Palace, where the first conference was held in 1867, nor in the Gothic magnificence of Canterbury Cathedral, but in the sports hall of the University of Kent.

The surroundings - with the hishops sitting not on the thrones which they occupy in cathedrals throughout the world but on rows of Univer-sity of Kent plastic chairs, in many cases having abandoned their usual purple for casual dress - robbed the occasion of all its heavy potential for

history-making speciacle.

It also served as a powerful reminder that the argument about the ordination and consecration of women, the dominant issue at the 1988 Lambeth conference which ended yesterday, is a modern, social one as well as something rooted in the scriptures and theology.

The relaxed, confident pres-

ence around the conference of a number of women priests had the same effect. Although the ordination of women has yet to be achieved in the Church of England, women priests have already ceased to be a novelty in some provinces of the Anglican communion.

The Rev Nan Peete, who spoke at the conference of having been rejected in her youth



Dr Runcie: instructed to appoint commission

rejected later by parts of the church because she was female, is now rector of the Anglo-Catholic parish of All Saints, Indianapolis. Women were first ordained in the US only in the mid-1970s, but already 25 per cent of the active clergy in Indianapolis are female. The Rt Rev Ted Jones, Ms Peete's bishop, says women priests have been "received into the life of our diocese as a gift from God."

It is from the US that the first woman bishop is likely to come, possibly later this year. Other Anglican provinces with substantial numbers of women priests, notably Canada and New Zealand, are unlikely to be far behind.

The Anglican Communion is a quite loose, federal, body. Lambeth conferences are held every 10 years, bringing together bishops from through-out the world at the invitation of the Archbishop of Canter-bury, who is senior hishop of

Lambeth of the Anglican church's most senior clergy gives the conference's debates and decisions obvious influ-

and decisions obvious influence, they are not binding on the 27 provinces around the world. It is for each local province to reach its own decisions on controversial issues like the ordination and consecration of women, leaving the conference to limit the damage arising from those decisions. The conference undertook this fairly familiar role again this week. A motion from the Most Rev Donald Robinson, the

traditionalist Archbishop of Sydney, sought to at least delay the arrival of women bishops by urging provinces to refrain from consecrating them. It was defeated by 277 votes to 187 - showing the true and potentially dangerous level of division on the issue. But a damage-limitation res-

olution went through with only 28 votes against. This urged provinces to respect each others' decisions and attitudes with regard to the consecration of women, while acknowledging that respect did not necessarily indicate accep-tance of the principles

The extent to which the damage will be limited will depend partly on the success of Dr Robert Runcie, the Arch-bishop of Canterbury, who has been instructed to appoint a commission to examine the effects which women hishops would have on relationships between the provinces of the Anglican Communion.

Medieval-sounding terms like impaired communion and schism are used to describe the forms which the damage is likely to take. There is already

well as of the Church of a state of impaired communion
England.
Although the presence at the Anglican church being a state of imparent communication
— with clergy from one part of
the Anglican church being
unable to carry out priestly
functions in another— arising
from the ordination of women.
"It would be the same only
"It would be the same only worse with a woman bishop, was how Dr Robinson summed up this week's developments. It raises the prospect of some provinces or dioceses refusing to accept that visiting priests — male or female — had been validly ordained by women bishops and denying hely communion to churchgoers con-

firmed by women.

But Dr Runcie pledged

myself and my office to the
work of the commission, and its establishment will add to the likelihood of his continuing in that office for the foresee-

able future. There had been recent spaculation that the archbishop, buffeted by divisions and criticism within the Church of England, might choose to retire soon after the Lambeth conference rather than remain at Canter-bury until he is 70 in 1991. Many of these divisions also arise from the issue of women priests - towards which the Church of England is moving on the basis of slender and potentially difficult majorities — but they are not restricted

The infamous Crockford's preface affair last December -culminating in the suicide of Dr Gareth Bennett, an Oxford theologian, after writing an article criticising Dr Runcie and the liberal wing of the church – as well as highly-publicised arguments over the place of homosexuals among the clergy, and a continuingly uneasy relationship between sections of the Church of England and the Government have are all been recent pres-

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He said there was no ques

tion of the civil engineering

sector overheating and being unable to cope with additional

work. The country needed to improve its road and rail net-

works in time for industry to take advantage of the creation

in 1992 of a single European

Mr Emery said the Government should be making money available to commission

schemes now. Increased tender prices from road contractors, of

around 10 per cent during the last year, reflected increases in

material and wages costs, he

gerous to make hard-and-fast judgments on the basis of one

set of results but "there are

quite strong signs that the rate of improvement in workload is

slowing down." There had also

been a slight increase in the

Haif-year ended

Mr Emery said it was dan-

Community market.

Incorporated in the Republic of Botswana

Interim Report

Results of the company and its subsidiaries for the six mouths ended June 30. 1988

	nan-ye Jur	Dec 31	
Production and Sales (Tonnes-metals contained in matte)	1988	1987	1987
Metal Produced			1 < 500
—Nickel	11888	6826	16 528
—Copper	13 436 154	7 442 68	18933 181
—Cobalt Metal Sales	134	06	101
—Nickel	10 567	8781	18 505
—Соррет	12.545	10 130	21 232
—Cobalt	137	80	174
		ar ended ne 30	Year ended Dec 31
	(Una	udited)	(Audited)
	1988	1987	1987
Consolidated Income Statement	P000's	P000's	P000's
Sales	171 397	51 682	128 711
Operating profit	108 625	1 801	20 224
Interest paid	(10 607)	(1 566)	(5024)
Royalty paid	(6281)	—	_
Realised currency exchange fluctuations	(4 892)	45	3944
Profit before deferred interest, deferred royalty			
and unrealised exchange fluctuations	. 86845	280	19 144
Interest accrued but deferred for payment	(80 704)	(75064)	(153 252)
Royalty accrued but deferred for payment	(2 550) (188 679)	(2876) 90254	(7 398) 166 290
- -	(100 0 / 9)	70234	100 250
Net (loss)/profit attributable to the shareholders	(105 000)	12.594	24 784
of Botswana RST Limited	(185 088)		(1 189 806)
	(1 165 022)	(1 189 806)	<u>`</u>
Accumulated deficit	(1 350 110)	(1 177 212)	(1 165 022)
Net (loss)/profit attributable to the shareholders of Botswana RST Limited per ordinary share:			
Pula	(P10.30)	P0.70	P1.38
Sterling	(£3.19)	£0.26	£0.47
U.S. Dollars	(\$5.50)	\$0.41	\$0.88
Exchange rates used above: P1=	£0.3100	£0.3665	£0.3390
P1=	\$0.5340	\$ 0. <i>5</i> 875	£0.6345
Capital Expenditure and Commitments			
Capital expenditure	1 940	629	1 500
Capital commitments	2063	807	109
Capital expenditure approved by the directors	6760	200	7 700
but not committed	6 760	209	7 <i>7</i> 93

Review of Operations

Operations at the Phikwe and Selebi Mines remained satisfactory with full production rates being achieved during the period. Treatment of concentrate produced and stockpiled in 1987 during the furnace overhaul period continued and metal production for the six months in 1988 set a new record. Mine costs increased by 5.7% above the level of the last six months of 1987 due principally to the long delayed replacement of equipment past its economic life. Sales during the period, resulting from deliveries of matte to the Falconbridge refinery at Kristiansand and to refiners in Southern Africa, amounted to 23 249 tonnes of metal contained in matte.

Nickel prices continued to rise from the improved levels seen in the last quarter of 1987. The LME cash nickel monthly average price rose from U.S. Dollars 3.66/lb in January to U.S. Dollars 8.17/lb in April and was U.S. Dollars 7.07/lb in June. This sharp rise caused pricing distortions under certain matte and metal sales contracts. These were resolved by the renegotiation of the shortterm pricing bases with some purchasers, including Falconbridge. Copper prices remained generally firm during the six months with the average LME Grade A copper price being U.S. Dollars 1.21/lb in January and U.S. Dollars 1.15/lb in June. Free market cobalt prices drifted downwards over the period from U.S. Dollars 7.11/lb in January to U.S. Dollars 6.58/lb in June. Sales revenue in Pula terms was assisted by the strengthening of the U.S. Dollar against the Pula. The Pula, which started the year equal to U.S. Dollars 0.63, ended the period equal to U.S. Dollars 0.53.

These factors combined to improve the operating profit to P108.6 million compared with P1.8 million for the corresponding period of 1987 and P18.4 million for the half-year to December 31, 1987. After interest paid of P10.6 million (1987: P1.6 million), royalty paid of P6.3 million (1987: nil) and realised currency exchange losses of P4.9 million (1987: P0.1 million profit), the profit before deferred interest, deferred royalty and unrealised currency exchange fluctuations was P86.8 million (1987: P0.3 million) for the period. The loss for the period after deferred interest of P80.7 million (1987: P75.1 million), deferred royalty P2.5 million (1987: P2.9 million) and unrealised currency exchange losses of P188.7 million (1987: P90.3 million profit) was P185.1 million (1987: P12.6 million profit). The large unrealised currency exchange losses, relating almost entirely to loans denominated in U.S.Dollars, arose from the strengthening of the U.S. Dollar against the Pula referred to in the previous paragraph.

The capital expenditure of BCL Limited (BCL) during the six months under review amounted to P1.9 million and was funded from operations. Emergency funding outstanding at January 1, 1988 of U.S.Dollars 27.6 million and P9.7 million was fully repaid. At June 30, 1988 U.S. Dollars 17.7 million of available cash was distributed in payment of royalties, loan principal, the Amax Nickel Inc. Indemnification Amount and current and previously deferred loan interest. At such date a working capital reserve of P25.9 million was retained by BCL which was partly used to reduce the drawings under the P25 million credit facility to P2.5 million at June 30, 1988. At the start of the period the drawings under the P25 million credit facility amounted to P9.2 million. The principal shareholders provided loans of P1.2 million to the company to finance loan repayment obligations, interest and expenses of the company during the period.

As BCL was able to meet all of its royalty and debt obligations at June 30, 1988, negotiations for the further restructuring of BCL between the company, BCL, the Botswana Government, the principal shareholders and the major lenders were suspended. The present period of high nickel and copper prices has brought much needed relief to the company but it cannot be assumed such prices will last for a protracted period and a further restructuring of BCL debt may still be required. The payment of dividends cannot be anticipated in view of the substantial accumulated deficits of BCL.

M. B. Bayliss A. B. McKerron

August 5, 1988

Registered Office Administration Block BCL Mine Site Selebi-Phikwe Botswana

Labour attack on government advertising 'By Charles Hodgson

THE LABOUR PARTY called yesterday for much tighter controls on the use of public money to finance advertising following criticism of government policy in a recent Com-mons select committee report. Mr Tony Blair, the opposition industry spokesman, cited the "surprisingly vigorous" criticism contained in a report

on public expenditure by the Commons Treasury and Civil Service Committee as backing for Labour's demand for proper safeguards on -what he described as "the flagrant abuse of public money for party purposes. serect

The expressed concern about "the accountability to parliament of government generally for spending on advertising and publicity." It accepted that

much government advertising paigns as examples of blas, where the Government thought "the marketing matters more than the product."

They were the £4m DHSS ment to explain its existing and proposed policies and the risk that a government may seek to obtain publicity of a party political nature."
"It is essential that the tone

and content of such publicity or advertising should be seen to be non-partisan. We are concerned that there may not be adequate safeguards to ensure -this," the committee said. It suggested that "in view of

recent disquiet," existing con-

campaign to explain social security changes; the £5m DTI Enterprise Initiative; and the latest £1.5m campaign to attract nurses to the NHS.

"In view of the impending

Mr Blair is writing to Mr Peter Lilley, the minister in charge of the Central Office of Information, urging that the select committee recommenda-tions be carried out.

campaign both on electricity privatisation and the poli tax it the government apologists who mask party propaganda as fac-tual information," he said. • The Labour Party is con-

ducting a survey of Britain's private health sector, with questionnaires being sent to private clinics and hospitals. The aim is to collect infor

mation, which the Government admits is lacking, about the number and type of operations and other services carried out in the private sector.

Ms Harriet Harman, Labour's health spokesman, said the current government review of the NHS would look at an expanded partnership between the NHS and the private sector. Yet it was planning growth in the private sector without adequate data.

The Government's ideologic lic interest is protected against cal commitment to the private sector has allowed it to con-tinue to formulate policy from a position of ignorance," she

Sunday newspaper launch in Scotland

By James Buxton, Scottish Correspondent

A QUALITY Sunday newspaper, Scotland on Sunday, was launched in Scotland yes-terday by Thomson Regional

Newspapers.
The 58-page first edition, in three sections, had a print run of 350,000 but the newspaper aims for a circulation of about 100,000 after initial curiosity

An editorial indicates that, unlike most other Scottish Sunday papers, Scotland on Sunday is likely to take a political line slightly to the right of

centre.
It is the first quality Sunday paper to be published in Scotland since the demise in 1983 of the Sunday Standard, pub-lished by the George Outram Group, an offshoot of Lonrho. That newspaper was launched in 1981 with tradi-tional technology into a declin-

tional technology into a declin-ing advertising market, but the fact that it had a circulation of more than 100,000 at its demise suggests that there is a market for an indigenous quality Sunday paper. In the past year The Sunday Times has made a big effort to win Scottish circulation with a Scottish edition and Scottish property supplement

The report says the popula-tion of England and Wales was 50.075m in mid-1986, and that 17.264m people, or 34.47 per cent of the total lived in Lon-don and the home countles.

don and the home countles.

Serplan says the population of England and Wales grew at about 150,000 a year in the two years to 1986. The growth rate in the south-east was about 70,000 a year. It also reports that the population of London grew for the third successive

By Kevin Brown

South-east takes almost

half of rise in population

NEARLY half the recent population growth in England and Wales has taken place in the south-east, according to the annual report of the South East Regional Planning Conference (Serplan).

The report says the population of 6.775m was still lower than the 6.805m recorded in

1981.

Scotland on Sunday says it has confirmed with surveys the existence of a substantial market for a Sunday paper giv-ing serious coverage of Scot-tish news, business, sport and the arts the arts.

The first issue leads with a story about government plans for Scottish education, supported by an exclusive on corrosion to the Tay rail bridge. its main feature article is an analysis of the challenge facing Mr Malcolm Rifkind, the Scottish Secretary, in rebuilding Conservative Party fortunes in Scotland.

The second section of the paper is devoted to the arts and leisure, and the third consists of a 12-page property sup-

In its first editorial Scotland on Sunday, edited by Mr Alistair Stuart, former editor in chief of Thomson regional Newspapers, says that "it will set out to be the voice of reason, common sense and enterprise... the expression of a the new mood that exists in a Scotlend looking forward to an land looking forward to an expanding future rather than a contracting past... Scotland on Sunday is on the side of enterprise."

caused almost entirely by immigration from abroad. However, London's total population of 6.775m was still lower than the 6.805m recorded in

Serplan, which advises the Department of the Environ-ment on planning matters, said it had decided to review plan-

ir had decided to review plan-ning strategy in the south-east to take account of the impact of buoyant economic growth. Regional Trends in the South East: The South East Regional Monitor 1987/33. Serplan, 50-64 Broadway, London SWIH ODB. 1225 00

COMMERCIAL AVIATION TO THE END OF THE CENTURY

London, 30, 31-August & 1 September 1988

The accelerating pace of expansion in commercial aviation worldwide and the impact this will have on all the existing facilities for the rest of this century will be the subject of the Financial Times latest conference to be held immediately prior to the Farnborough International Air Show.

FINANCIAL TIMES CONFERENCES

The conference will open with a forum reviewing the changing airline relationships in tomorrow's marketplace, the emergence of the mega airline, with contributors including Sir Colin Marshall, Mr Thomas Plaskett, Dato Abdul Aziz Abdul Rahman and Dr Günter Eser.

Mr Justin Dukes, Chief Executive Officer of Galileo Distribution Systems, will review developments in linking members' computer reservation systems into one network, designed to win a bigger share of expanding world travel markets.

Mr Jeremy Marshall, Chief Executive BAA plc, will speak on providing the airports to the end of the 90s, ensuring that airlines have airspace and traffic control facilities to ensure continued safety in the crowded skies.

. .

70.00

The role of the jet airliner and engine builders in the development of civil aviation to the end of the century and how they see their products influencing change will be debated by Mr John Hayhurst, Mr Jim Worsham, Mr Stuart Iddles, Mr Sydney Gillibrand, Mr Selwyn Berson and Mr Lee Kapor.

Mr Ronald Woodard, Mr Roy McNulty and Mr Jeff Marsh will review the future role of commuter manufacturers.

Guest speakers will be The Lord Brabazon of Tara, Parliamentary Under Secretary of State for Transport and Mr Matthew Scocozza, Assistant Secretary for Policy and International Affairs, US Department of Transportation.

The two-and-a-half day conference will be chaired by Sir John Curtiss, Mr Michael Miles, Dr Julius Maldutis and Mr Michael Donne.

All enquiries should be addressed to: The Financial Times Conference Organisation, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 01-925 2323 (24-hour answering service) Telex: 27347 FT CONF G Fax: 01-925 2125

UK NEWS

Dairy shortage in Britain as EC quotas take hold

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Some popular cheese types, such as Cheshire, are unobtainable in certain areas.

Food manufacturers are protesting about shortages and sharp increases in the price of skimmed milk powder (SMP), a allow for regional and seasonal vital ingredient in chocolate and other products.

While milk supply and demand were in overall balance in the EC, this did not allow for regional and seasonal disparities of the type now afficiting Britain. sharp increases in the price of skimmed milk powder (SMP), a vital ingredient in chocolate and other products.

The once-notorious butter and dried milk mountains have almost disappeared. At the last count there were 79,000 tomes of ageing butter in UK intervention stores, compared with 250,000 tonnes at the end of 1986, and the 23,000 tonne mountain of SMP had shrunk to tust 40 tonnes to just 40 tonnes.

But food processors and retailers need fresh produce and it is becoming more diffi-

The Biscuit, Cake, Chocolate & Confectionery Alliance has protested to Brussels about the continuation of 60 per cent sub-sidies on SMP sold for animal feed while the market price of the same product for use in human food has risen by a third in the past year to as

BRITAIN, once awash with surplus milk, is suffering Mr Alex McClumpha, chairservere shortages and agitation man of the alliance's supply
is growing over the side-effects
of European Community production quotas.

Butter is in short supply high added-value products of
and shop prices are going up
this month by between 4p and.

Some popular cheese types,
such as Cheshire, are unob
surplus Mr Alex McClumpha, chairman of the alliance's supply
committee, said: "The real
problem is supply whigh added-value products of
the food industry may be intersurplus milk, is suffering Mr Alex McClumpha, chairman of the alliance's supply
committee, said: "The real
problem is supply high added-value products of
the food industry may be intersummar shortages in France
and the Netherlands ruled out
imports to ease the situation,

imports to ease the situation, he said.

The Commission may say there is loads of milk in Bav-aria, but it may not be the type and quality we need," Mr McCkumpha said.

Britain's main problem, which first showed up last year, is that most milk is produced in the spring, when there is ample, relatively cheap grass. Prices paid to farmers have recently been adjusted by the Milk Marketing Board (MMB) to encourage farmers to feed their cattle on bought-in fodder and boost output in the

... However, the action appears to have come too late to be effective this year, according to a report on the dairy industry from Salomon Brothers, the stockbroker, which forecasts

shortages this month of cheeses such as Cheshire and

Shortages have been exacer-bated by the UK milk marketing system, run by the MMB, which pays top prices for liq-nid mulk for fresh consumption. Cheese makers, faced with consumer demand increasing by 3-5 per cent a year, have been paying premiums for supplies.

This has left the manufac-ture of butter - least profit-able for milk producers - in a supply squeeze which has sharply reduced availability of SMP, a byproduct of butter

The stockbroker's report also suggests there may be further upsets in the dairy industry in the next few months, when UK legislation is adjusted to allow imports of fresh milk.

Although imports, from

ireland for example, may never account for more than 2 per cent of UK consumption, Salomon suggests they may be attractive to price-conscious supermarket chains and could have "a disproportionate impact on industry pricing lev-

This and other factors might once again highlight the inade-quacies of the MMB, the report says, "which may lead to increased pressure for an alternative industry structure."

this policy which it regards as contrary to international rules laid down by the United Nations and Organisation for Economic Co-operation and

Mr Michael Grylls, the Con-servative Party MP who is leading the delegation, said that despite concessions granted by California, such as the right of foreign companies to opt out of unitary tax against payment of a fee, Calif-ornia "has taken no real measures to stop its use of unitary

UK puts the

pressure on

California

tax regime

A DELEGATION of UK

businessmen, officials and pol-iticians flew to California yesterday in a renewed effort to persuade the state government

to amend its restrictive rules

The visit follows widespread support among British MPs for a motion calling on the British Government to retaliate unless California amends its legislation which is viewed as unfairly penalising foreign companies.

companies.

The motion, signed by nearly 320 MPs has attracted more support than any of the 1,455 so-called Early Day Motions – topical issues seen as urgent by an MP – before the House of Commons, according to a statement by the Unitary Tax Campaign, a

the Unitary Tax Campaign, a group of British MPs and

industrialists opposed to the

California is entitled to levy

tax on the worldwide income of companies with operations there instead of just on their

income derived from local

Britain has long objected to

Under its unitary tax system

on unitary taxation.

By Peter Montagnon, World Trade Editor

Unless California improves its legislation, the British Government could "have to look at applying additional pressure, perhaps even taking retaliatory action," Mr Grylls said.

Under powers granted by Parliament in 1985, Britain has the right to bar tax credits to parent companies of US groups with subsidiaries in the UK but it has so far refrained from using these powers in retaliation to California's unimore than 30 prisons have retaliation to C voted to take industrial action.

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Postal workers to vote on

strike action By Our Labour Staff

POSTAL workers are being balloted on industrial action to resist the imposition by the Post Office of local pay supple-ments for new recruits to ease, acute recruitment difficulties in some areas.

The Union of Communica-tion Workers is recommending that 140,000 postal workers vote for action up to and including strikes to resist the scheme,

The Post Office is finding difficulty recruiting staff in areas of the south-east and has brought in "difficult recruitment area supplements" to try to ease the situation.

Prison chiefs urge police staffing to allay crisis

By John Gapper, Labour Staff

PRISON governors are pressing the Home Office to implement contingency plans under which prisons would bestaffed by police, possibly backed by the Army, unless an industrial dispute at Holloway prison in north London is resolved quickly.

Mr Terry Bowen, chairman of the Association of Prison Governors, said yesterday that governors wanted Mr Douglas Hogg, Home Office Minister, to implement the plans amid fears of the dispute spreading. Seven London prisons are already refusing to take new admissions in support of more than 200 staff who are on strike

Staff at Manchester's Strangeways prison and Norwich prison have also voted for

> Mr Bowen said it was "highly likely" that the Hollo-way dispute would become a national one unless it was resolved within days.

Mr Hogg has refused national talks on the issue, insisting it is separate from He called for the Prison Offi-cers' Association (POA) to accept a cooling-off period.

The POA claims that staff at

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UK NEWS

Pension fund for mineworkers in post-crash coup

THE £5bn Mineworkers' Pension Scheme avoided the worst effects of last October's crash by building up its liquidity to £480m, or almost 9 per cent, at the end of September and then investing a net £168m of this in UK equities at much lower prices between late October and Christmas.

Details of the scheme's strategy are revealed in its annual report. The scheme covers some 105,000 employees of British Coal, as well as 268,000 pensioners and 266,000 deferred

The news will add fuel to the debate about short-termism among those pension funds the majority - which are managed by external invest-ment advisers who are often subjected to severe short-term competitive pressures.

In contrast the mineworkers' scheme is internally managed by CIN Management which also manages the parallel, and similarly-sized. British Coal Staff Superannuation Scheme. Many insurance companies stocks.

Safeguards demanded for occupational 'owners'

By David Barchard

GREATER protection of the rights of pension scheme members is urged in two separate submissions to the Occupa-tional Pensions Board, which were published at the week-

The Wider Ownership Group of the Centre for Policy Studies claims that the present struc-ture of occupational schemes no longer matches the needs of a career-mobile and articulate workforce.

The group says that the question of who owns pension funds should be clarified. It says fund managers should recognise the beneficiaries as the true owners of the funds and become genuinely respon-sive to the wishes of their

Lord Vinson, one of the sub-mission's authors, said: "The actuaries say that there should be greater protection

were also notable for their cautious stance last year, a fea-ture which has been attributed to their freedom from the pres-sures caused by quarterly per-

formance measurement.
But the typical UK pension fund raised its equity exposure from 71 per cent to 77 per cent during the nine months to September 1987, according to the measurement service of the WM Company, a performance measurement specialist.

Liquidity fell from 4 per cent to 3 per cent. The mineworkers' scheme, however, had an equity exposure of only 59 per cent pre-crash.

Mr Paul Whitney, chief executive of CIN Management, praised the scheme's trustees. "It's a compliment to our trustees," he said.

While many other pension fund managers were investing heavily in equities at pre-crash prices, the mineworkers' fund made net sales of UK and US equities, although it was a net buyer of German and Japanese

mulated capital fund of

£100,000 at the time of his

retirement but does not know "There ought to be much more transparency about the administration of pension funds, and each member of one ought to receive an annual valuation of the unit value he has

The Wider Ownership Group adds that opportunities to pillage the assets of a pension fund after a takeover or management changes should be removed.

The Institute of Actuaries says too much of the financial security of members of pension schemes depends on an element of discretion in final sal-

average employed person in a for pension scheme members pension scheme has an accu- when a scheme is wound up.

Doubt cast account statistics

Drew believe measurement errors may have concealed the fact that the UK's current account deficit in 1987 was zero or even a surplus. Official figures showed a deficit of

£1.6bn.

The report says that trade figures from all the world's countries should add up to

However, throughout the 1980s the world total of current account statistics, showtial deficit.

This means that official defi-

rent account deficit was overstated by \$10bn last year. The recorded deficit was \$155bn. The Canadian deficit is estimated to have been signifi-

cantly understated, but adjust-ments needed to the West Jerman, Japanese, French and Italian current account bal-ances are thought to be relatively minor. The report says the measure

ing portfolio investment. This covers income from financial

There are many uncertain-ties in the calculations and the margins of error are large, the

Households 'cannot buy first homes'

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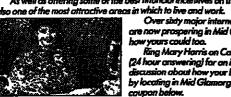
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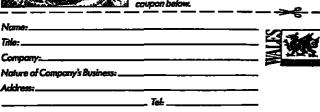


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on current

By Raiph Atkins,

BRITAIN'S current account deficit last year could have been overstated by £2bn, says a leading securities house in a report released yesterday. Economists at Phillips &

ing inflows and outflows of goods, services and other income, has shown a substan-

cits of some countries are overstated or that surpluses are understated. Mr Mark Brown and Mr

Chris Johns, the report's authors, draw on work by the International Monetary Fund to try to estimate the discrepancy in leading industrial

They conclude the US cur-

ment problems stem mainly from the difficulties in record-

assets such as shares or bonds. Trends in financial markets in the 1980s have made many financial assets more widely negotiable, increasing the problem of tracking owner-

The report says the UK's current account figures need a relatively large positive adjustment because of the country's prominence in portfolio investment. But it says the relative size of the adjustment will fall this year as the size of the deficit grows.

By Andrew Taylor, Construction Correspondent

HOUSE PRICES have risen so steeply in south-east England that nearly half of households wanting to buy a home for the first time cannot afford to, according to a report today from the Association of District Councils.

The study by Bristol University's School for Advanced Urban Studies compared local from material provided by Nationwide Anglia Building Society and the latest earnings survey from the Department of

the Environment.
This showed that well over
50 per cent of households wanting to buy a first home in Surrey would not be able to afford it. In East Sussex 52 per cent of households earned insufficient money to buy their first home. The comparable figure in Greater London and Oxfordshire was 46 per cent; in Essex, Berkshire and Hertfordshire it was 42 per

"By contrast, 98 per cant of working households in 12 northern counties would be able to buy a home. In practice, between 10 per cent and 15 per cent of households were denied this option because of unemployment," said the asso-ciation, which represents 338

housing authorities in England and Wales. The association said the Government should allow councils to spend more money providing low-cost homes for people who were priced out of home ownership.

One solution it suggested was to allow local authorities

to spend a greater proportion of the capital receipts they had received from the right-to-buy programme of selling council

Lady Elizabeth Anson, chair man of the association, said: "Local authorities and housing associations must be able to meet local needs until the pri-vate sector is in a position to

"Government policies aim to restore the private rented sec-tor, but there must not be a gap in providing new houses for rent until this is achieved." Access to Owner Occupation; Association of District Councils, 9 Buckingham Gate, London SW1E 6LE. Population grows, Page 8

Bullish prospects at the country show

John Gapper reports on changing commercial approaches to an old institution

a psychoanalyst from Teaneck, New Jersey. had taken the train from York, changing at Derby and Matlock, completing her jour-ney by taxi, in order to return to the Bakewell Show, a phe-nomenon she first chanced across during a holiday three "I was really quite charmed and impressed by the serious-ness that English people have about their country shows," she said, "The men showing dogs were all dressed in their typical garb, the plaid jackets and the boots. We do not have anything like this back home."

The morning drizzle had

A serious business: Geoff Boden of Mellor with a pair of prize-winning Texel sheep



Derek Roberts, the society's honorary treasurer. Last year, sponsorship raised £9,912. This year it is contributing about £15,000 towards the £145,000 cost of the show, which is a

registered charity. According to most measures, the show's story is one of inex-orable growth. The number of paying visitors has risen steadily from 25,567 in 1978 the year before it switched from one to two days - to 36,305 last year.

But the bigger the show, the greater the financial risk for an ship these days. It has to be greater the financial risk for an the way forward," said Mr enterprise still heavily depen-

dent on gate receipts. "No organisation should really gamble the sort of money we spend on two days of an English summer," said Mr Ted Brownhill, the show secretary.

There are still shudders at
the memory of 1972, when a
torrential downpour cut the

number of visitors to 11,918 and the society's committee had to make a public appeal to remedy a £4,000 loss. Most of last year's £10.701. surplus went on the installation of underground electrical

cabling at the 40-acre showground to replace overhead wiring deemed inade-quate by a health and safety inspector. Such uncertainties increase the attraction of reliable sources of income such as trade stands, members' sub-

scriptions, sponsorship, and corporate hospitality. The last started five years ago with the Pb Industrial Batteries deal. Mr Derek Plowright, manag-ing director of the company, based in nearby Alfreton, paid

£10,000 for his ringside tent, in

which his guests were served a three-course lunch and tea to the gentle tinkling of a plane, and reckoned the venture was money well spent.

"In a sense, it is totally obtuse for a battery company to entertain at a country fair, said Mr Plowright as some imposing Charolais bulls stroi-led nearby, "but our customers enjoy a day out in wellies and waxed coats, and it must be good for the fair to have them here spending money."

What they spend it on is another matter. One elderly retired farmer was bemoaning the lack of traditional stands like those of the corn mer-chants, who used to provide "a good feed" for farmers. "There used to be stands selling ploughshares all the way round," he said.

Perhaps the closest to a syn-thesis between farming tradition and the new consumerism was to be found at the stand of Kebcote Clothing of Hebden Bridge, purveyors of Barbour and Norfolk jackets and green

wellington boots to rural folk and Sloane Rangers alike. Inside, Mr Keith Collings inside, Mr Keith Collings, the owner, was gaining quiet satisfaction—and tradefrom the mixed weather. "One thing we do not like is a roasting hot day. It makes them all lethargic: they just sit on the grass with a can of Coke and forget about the stands."

An object less likely to An object less likely to attract the average industrial battery buyer was Dovemount Annabel, 2 600 kilo Hereford cow declared breed champion ("Main Cattle Sponsor: National Westminster Bank"). Mr John Thorley, her owner, did not expect any sales to did not expect any sales to result directly from this triumph, but was phiegmatic.

"Shows tend to be break-even, honour and glory these days," he said, "Who knows, by the end of the century we might be in the leasure business. If people slop eating beef like Edwina Currie is telling them, they might have to pay us to display cattle, like shire horses."

Nearby, a falconer was demonstrating his lost art next door to the display of City of Sheffield Recreation Departsnemein kecreation Department's City Farm. This included some rather sleepy Cabot goats, described on the notice fixed to their pen as "small agile animals with no

commercial qualities."

Mr Brownhill, the senior of the three full-time employees admits that losing touch with admits that losing rouch with their roots is a trap faced by all shows, but he thinks Bakewell avoids it. He took the job 13 years ago "to escape the Shaffield rat race" and describes his time with the show as "the happiest days of my life."

My Polyetts "whose "intro-

Mr Roberts, whose "intu-itive" approach to financial planning included deciding on an entrance fee increase while bolidaying in Lanzarote this year, insists that innovations are a means to an end. "All we want to do is make sure the show exists and continues," be

Stockbroker and merchant bank to merge MP urges

By Ian Hamilton Fazey, Northern Correspondent

Councils' role 'will shift'

services."

By Alan Pike, Social Affairs Correspondent

HENRY COOKE Lumsden, which has its headquarters in Manchester and claims to be the largest stockbroker outside London, is to merge with Edington – the merchant bank it helped found in 1986. The new group will then go public and expand, seeking market leadership in corporate

cleared on the second day of

the 137th Rakewell Show as Ms.

Merchant ("as in Venice") col-

lected her overseas visitor badge, admitting her to the

members' enclosure for lunch

with the Bakewell Agricultural and Horticultural Society's 500

Not even this, however, was

enough to gain her entry to the

inner sanctum of the Pb Indus-trial Batteries hospitality tent

alongside the main show ring,

from which 450 corporate guests could watch the grand

parade of livestock courtesy of

"a company that still maintains traditional values."

are catching on in the Wye Valley. The afternoon sun illu-

minated a sea of company flags

flying above stands on which visitors could buy everything from John Deere tractors to

Breton pancakes, kitchen inte-

Derbyshire commerce has

changed since 1848, when the

society took as its founding objectives "to promote Improvement in the Breeding

and Rearing of Livestock, the

Invention and Improvement of Agricultural and Horticultural

Implements and the Encour-

agement of Skill and Industry

Everyone is into sponsor-

in Agriculture."

riors and even cases of wine.

Some New Jersey traditions

patrons and 1,200 members.

and individual financial services outside London. Refuge Assurance, a sharenoider in doth the stockbroke and merchant bank, will have an 8.9 per cent stake in the new company, to be called Henry Cooke Group. Refuge, with its head office in Cheshire, is also a major player in the expansion of financial ser-

LOCAL authorities of the future will have strong chief executives - possibly elected rather than appointed - and

will charge businesses for their services, Mr Noel Hepworth,

director of the Chartered Insti-

tute of Public Finance and

Accountancy, suggests today.
The function of local govern-

ment will shift from being a provider of services to that of a "stimulator, adviser and ena-

vices in the regions.

The new group's plans include running share-dealing services for two as yet un-disclosed building societies and expansion across the Pennines. There will also be a push on corporate financial and stockbroking services. Henry Cooke has until now resisted moving into Yorkshire

on the grounds that local knowledge and management are vital. It claimed it could nno a sunable based partner, even though Yorkshire professionals have long bemoaned the absence of a similar depth of non-London, regionally-based service.

This gap in the northern market is being filled increas-ingly by BWD Securities,

shifting away from local gov-ernment. Good staff are leav-

ing and it is facing increased

competition in the delivery of

However, there was scope for councils to experiment with new forms of administration.

"Local government is on the

defensive, but in reality

significant opportunities have opened up which will relieve it

of the burden of day-to-day

management of services."

formed in April when the Huddersfield stockbroker Battye Wimpenny and Dawson went public via the unlisted securities market – the first UK stockbroker to do so.

BWD announced 10 days ago a 2500,000 deal with Yorkshire Building Society. The society will take 4.9 per cent in BWD, funding the issue of share-dealing cards to the society's customers, who will then have rooms. If initial signs are good the society has an option on a further 15 per cent of the equity, for just under £2m. BWD also became involved in investment banking this year when it took over over Capital for Companies, a Leeds

By Charles Hodgson

ENHANCED competition

resulting from privatisation of

the electricity industry has great potential for consumers,

an energy policy paper from the Social Democratic Party says today. It adds, however, that competition could be

undermined by plans to give control of the National Grid to privatised area boards.

The policy paper says the Government was right to

remove the grid from control of

venture capital specialist which has been highly success-ful in Yorkshire-based funds operating under the business expansion scheme. Both BWD and Henry Cooke

also run successful unit trusts. BWD's, the Yorkshire General Trust, puts three-quarters of its funds into Yorkshire-based companies. Henry Cooke's trusts are run under the Arkwright banner.

stockbrokers being absorbed by larger, usually London-based, financial groups to provide wide networks of services across the UK, both Henry Cooke and BWD are likely to exploit their regional market leadership to the full.

ownership by area boards "runs the risk of permitting, if not actually encouraging, col-lusive behaviour on the

demand side of the market."

The SDP says the grid should remain in public owner-

ship to simplify regulation and ensure fair competition.

The paper criticises the Gov-

SDP view on power 'risk'

internment By Charles Hodgson

selective

THE BRITISH and Irish

governments were urged yes-tereday to introduce selective internment on both sides of the border after an upsurge in IRA activity last week in which five people were killed and several were injured. Mr Ken Mas

Unionist MP, claimed that the people who shot dead two Protestant building workers in

estant building workers in County Fermanagh on Thursday night were part of an IRA unit operating out of Donegal in the Irish Republic.

Mr Maginnis called on Mr Charles Haughey, the Irish Prime Minister, to consider introducing selective internment of suspected terrorists in the Republic. Such a move would make it easier for Mrs. would make it easier for Mrs Thatcher to reintroduce internment in the Northern Ireland,

Mrs Thatcher has already ruled out reintroducing internment as an "immediate option" despite increased pressure from Unionist MPs and the Northern Ireland Police Feder-

A Northern Ireland Office spokesman confirmed last night that interment was not under consideration but added that the policy was "always

under review."

It is widely regarded to be politically unacceptable for Mr Haughey to consider internment. Both governments are understood to regard internment as countermoutive and

understood to regard internment as counterproductive and argue that past experience has shown it to be ineffective in culting terrorist activity.

A return to interament in Northern Ireland could also jeopardise the future of the Anglo-Irish agreement, this for review in November. Both governments have recently stated their satisfaction with increased cross-border cooperation and consider further collaboration to be the key means of curbing IRA activity.

Tory group call for charge limit By Charles Hodgson

THE money raised by the THE money raised by the Government's community charge should be spent only on locally provided and financed services enjoyed directly by all, according to an editorial in the latest issue of Crossbow, the quarterly fournal of the Conservative Bow Group.

If suggests that the present estimated level of community charge payment could be

charge payment could be halved by isolating locally-provided services such as roads and refuse-collection, thereby defusing much opposition to the charge.

Other services such as sdu-

cation and social services which are not used by all charge payers could be charged for at the point of use, it

ernment's insistence that 20 per cent of electricity generating capacity should come from nuclear fuel. If nuclear power is not economically viable, the Government should support it by an overt subsidy. bler," Mr Hepworth says in an Institute of Economic Affairs What Future for Local Govern-ment, IEA, 2 Lord North Street, the Central Electricity Generating Board. It adds, however, that joint by an overt subsidy. The locus of power is London SW1P 3LB. Free.

Sales of commercial vehicles 'increasing faster'

By Kevin Done, Motor Industry Correspondent

THE PACE of growth in UK commercial vehicle sales accelerated in July with an increase of 19.87 per cent to 15,332 units from 12,790 units a year ago. For the first seven months sales have jumped by 11.01 per cent to 191,003 units, and sales for the full year are on course to exceed last year's record of 312,730 units.

Imported vehicles took 31.85 per cent of the traditionally small July market compared with 32.56 per cent a year ago, but over first seven months importers benefitted most from the booming market. Their share rose to 39.18 per cent from 36.55 per cent in the

comparable period last year, according to figures from the Society of Motor Manufacturers and Traders. facturers and Traders.

In the truck market above 3.5 tonnes Leyland DAF, the UK subsidiary of DAF of the Netherlands, closed the gap slightly in July on Iveco Ford, the Italian/US-owned joint venture and the UK market leader.

For the first seven months it is still trailing by more than two percentage points, however, with a market share of 22.5 per cent compared with the 24.7 per cent captured by Iveco Ford, which was formed in 1986 through a merger of Ford's UK truck operations with Iveco, the commercial

with Iveco, the commercial vehicles subsidiary of Fiat.

The small UK-based heavy truck producers ERF, Seddon Atkinson (part of Enasa of Spain), and Foden (part of Paccar of the US) have all increased sales sharply with ERF raising its sales by 70 per cent and Foden more than doubling its volume. Ford, which controls more

than 42 per cent of the medium van market with its Transit van, has maintained its over-whelming dominance. Both Freight Rover (the UK subsid-iary of DAF) and Bedford (the General Motors/Isuzu joint venture) have lost market share to a strong import chal-lenge led by Nissan, Mercedes-

lenge led by Nissan, Mercedes-Benz, Peugeot and Renault. Ford is to increase the prices of its vans and pickups by an average of 2.5 per cent from August 15. Sales of Bedford-badged medium vans have dropped by 20.7 per cent in the first seven months to 4,616 units.

In the small van segment of car-derived vans, micro vans and light pick-ups Bedford has performed much more strongly, increasing its sales in the first seven months by 19.6 per cent, while its chief rival Ford has suffered a fall in volume of \$6 per cent. ume of 6.6 per cent. With a stronger performance in July, however, Ford just succeeded in winning back leadership of the segment.

JAN-JUL 1988 Share (%). Jan-Jul 38 (Velta) Change (%) 100.00 39.18 Total Markel 191.003 190.00 36.55 74,833 Imports. +19.0017,009 +1.80 28.15 28.91 29.27 32.77 25.29 Ford 17,471 17,269 10,550 GM (Bedford) +19.61 Rover Group Renault 17.78 5,07 17.46 +3.95 + 15.81 Peugeot (incl. Citroen) 3,171 +10.60 Medium Vans (1.81-3.5 tonnes) **82,207** 36,389 44.24

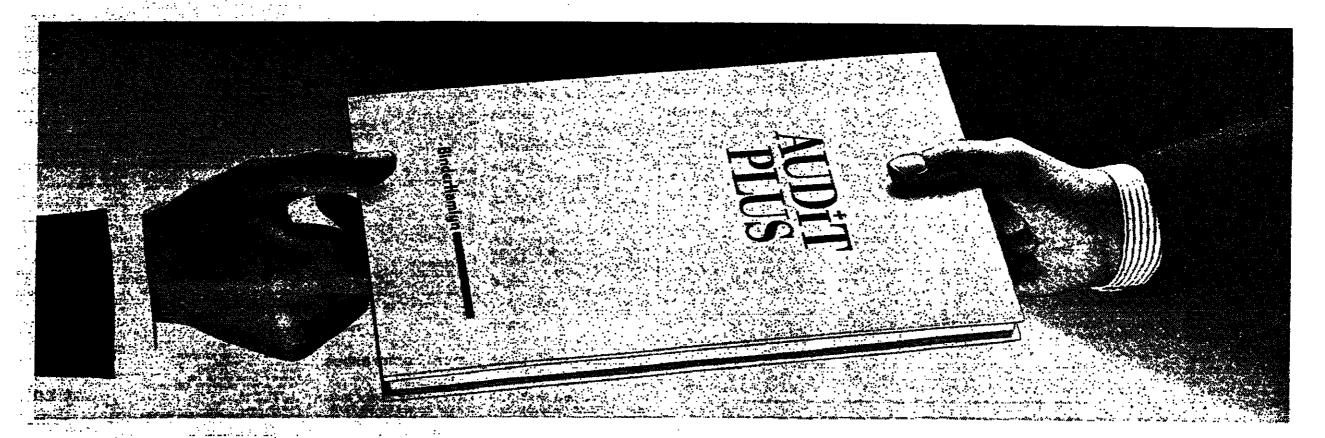
UK COMMERCIAL VEHICLE REGISTRATIONS

Ford.	34,629	+10.82	42.12	42.26
DAF (Freight Royer)	9,853	-0.05	12.00	13.35
Renault	6,249	+ 16.65	7.60	7.25
Nissan	5,931	+53.93	7.21	5.21
Mercedes-Benz	4,704	+32.13	5.72	4.81
Peugeot (incl. Citroen & Talbot)	4,681	+29.67	5,69	4.88
GM (Bedford)	4,618	-20.70	5.52	7.87
Tracks (over 3.5 tonne	s) .	·	· · ·	
Total	37,175	+15.57	198,86	100.00
Imports	14,926	+ 18.42	40.15	39.18
lyeco Ford	9,181	···+31.59	24.70	21.69
DAF (Leyland DAF)	8,350	÷10.55	22,46	23,48
Mercedes-Benz	5,494	+25.75	14.78	13.58
Volvo	3,742	+13.91	10.07	10.21
Renault (RTI)	2.648	-10.00	7.12	9,24
ERF	2.042	+70.45	5.49	3.72

P urges

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The second secon

he way in which the managers of Britain's large conglomerates make multi-million pound investment decisions is the subject of three comparative "fly-on-the-wall" studies carried out by the London Business School

The studies go into unprecedented detail. And they are unusual in combining observations and insights into how managers in organisations work (or fail to work), together with a financial/economic analysis which raises wider issues about the workings of the financial system over the

The questions raised include:

How can a group head office of a conglomerate add any value to an organisation which has little or no synergy between its different operat-ing divisions? This is the question posed by the corporate raiders in the UK and US who have been seeking to break up conglomerates and sell

off their component parts.

Does the remoteness of the group board directors from the operating businesses mean that they are con-stantly having the wool pulled over their eyes? Do they tend to approve investments in high prestige projects or ones which give their divisional managers or themselves the most scope for personal empire building rather than those with the greatest conomic value or even ones which

fit into their pre-conceived strategy?
•Alternatively, does top management stifle initiatives from below by excessive scepticism and secondguessing the divisional managers?

 How much do managers make use of the theoretically correct methods of appraising investments, in particular of discounted cash flow analysis? Do they pay no more than lip service to the figures that emerge? If not, is there any other benefit to be gained from the analy-

Three of the four researchers are connected with London Business School; Paul Marsh, professor of management and finance, Patrick Barwise, a senior lecturer in marketing, and Kathryn Thomas, a management consultant who is attached to the LBS Centre for Business Strategy and who carried out most of the field work. The fourth researcher was Robin Wensley, professor of strategic management and marketing at the University of Warwick.

The three companies were selected from a shortlist of 10 that were approached in 1983. The research, conducted between 1984 and mid-1986, comprised watching and taping the formal and informal meetings between the managers when they discussed the project and interview-ing them. Between 40 and 70 hours of tape was accumulated for each project. The identities of the three organisations have not been disclosed, as much to protect junior managers who were indiscreet about their superiors - and vice-versa - as to prevent the leakage of commer-

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Committed

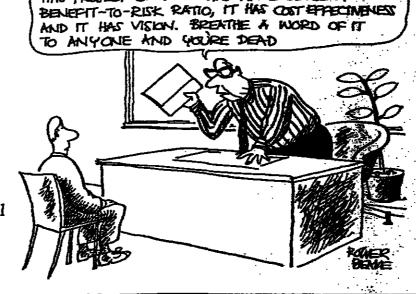
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Investment

How the group can challenge management's strategic choices

Clive Wolman analyses a series of fly-on-the-wall studies on the extent to which large companies influence the decision-making processes of acquired subsidiaries.



THIS PROJECT OF YOURS HAS AN EXCELLENT

industrial consumables which was considering a £43m investment in manufacturing capacity to produce some of its own supplies, with an optional knock-on cost of a further optional knock-on cost of a further \$100m five years later. The second was a capital goods manufacturer and service conglomerate which was considering the purchase of mechanical handling and packaging equipment which involved a £5m commitment at first rising to a maximum of £13m later. The third was a large manufacturer of fast-moving consumer goods which was deciding on a restructuring of its distribution network, costing of up to £4m.

Two of the companies were "theme" conglomerates with busi-nesses which shared several common features, while the different divisions of the third company are linked by vertical integration. Their number of employees ranged from 10,000 to over 100,000 and each had overseas activities. The divisions of all three companies which were responsible for introducing and implementing the investment pro-jects were originally independent companies that had been acquired by the conglomerate between six and 20 years before the period of the study. The question of whether to invest in mechanical handling and packaging had originally been considered six years previously, before the company became part of the con-glomerate but the decision had been deferred. In fact becoming part of the conglomerate made little difference as the company would, and could, probably have invested any-way if it had remained independent.

Is the widely-held rationale for conglomerate acquisitions - that it allows smaller companies to grow, freed from the constraints of artifially sensitive information.

cial capital rationing – something of one company was a producer of a myth? Only in the first case do the

researchers believe that the com-pany, if it had remained independent, might have shied away from the investment because the capital expenditure was so large. The company would have had to finance it either by a rights issue, which would have required a detailed public justification, or by taking on a very heavy and risky burden of debt.

The most clear-cut case of where head office had a large impact on the investment decision was in the third company. The plans for the restructuring of the distribution network depended critically on complex oper-ational details, most of which the board members and support staff at head office had to take on faith. But the chief executive insisted

that there must be a better and

cheaper option. Even though the project had an internal rate of return of 22 per cent, he told the divisional project managers that the ratio of benefits to capital expenditure was

His rejection of the initial proposal led to demoralisation among the project managers. But they returned to the drawing board and considered much more seriously an alternative projection that they had previously thought of but given little attention. Eventually they came up with a pro-posal which required only one-quar-ter of the capital expenditure and still yielded most of the benefits; this

offered less scope for future develop-ments and left them with less oper-ating slack. Nevertheless, the project team was pleased with the final outcome and accepted that the chief executive had been right.

Was the chief executive just reacting to capital budgeting constraints and concerned to demonstrate to the divisional managers that he was no pushover, even though he had no deeper understanding of the possibilities and risks of the project than they did? Patrick Barwise thinks that his experience as a seasoned manager suggested to him that his subordinates had built up too much enthusiasm for the project and their critical faculties had been dulled. "Perhaps he was taking a flier, but his intuition was based on a lot of

slumps, than by becoming part of a

conglomerate.

However, he says that his experience has convinced him that head

offices can make an important con-

Is the widely-held rationale for conglomerate acquisitions — that it allows smaller companies to grow, freed from the constraints of artificial capital rationing - something of a myth?

> experience of the business concerned and of handling the people," he says.
> On a more general point, Paul
> Marsh says that he started off with a bias against conglomerates, called euphemistically "large diversified companies", believing that a com-pany is subjected to far more effective discipline through a separate stock market listing, and the threat of a takeover if its share price

tribution. This is despite the difficulties they face in filling their official was accepted.

The drawback was that it had roles as the appraisers of competing investment projects in businesses

which they cannot hope to under-stand well enough. These difficulties were highlighted in one company where an analysis of the project, covering 200 documents and 2,000 pages, had to be boiled down to a 60-page document for the group finance officials and chief executive and to a two-page summary for the group board directors. But both Marsh and Wensley

emphasise the more indirect benefits of head office investment appraisals. "Although projects were rarely turned down by group, the threat of rejection was taken very seriously, they say. The chief benefits were: win all three cases, at least one of the key decision-makers at the group level was intimately involved in the management of the relevant division and his presence made the project initiators analyse their proposals in more depth.

The process of being questioned forced the project team to examine all their assumptions more carefully although it also made them reluctant to disclose to the group manage-ment any information other than that specifically requested.

The group directors used the formal appraisal procedures to test the strength of commitment of the project initiators, knowing its success would depend far more on the dedi-cation with which the project is implemented than on the sophistication of the financial forecasts.

The group directors imposed deadlines and limits which gave the negotiators at the divisional level a

useful weapon when dealing with outside contractors. also influenced the organisational context in which the projects were initiated by appointing senior divisional managers, setting the organi-sational structure and devising

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August 27-29

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systems for measuring performance and paying salaries. In the shorter term, the board directors also influence the likelihood of a project being pushed through by their appointment of a project team. In one case, a senior manager on the board explained that he had not asked the most obvious group of people to inimost obvious group of people to initiate and investigate the project, because the thought they would come up with too many objections and a doubthing analysis.

do nothing conclusion.

Marsh says that his experience in carrying out the study has led him to revise his own views on the role of financial analysis and to change of financial analysis and to that the way in which he teaches finance courses. "The message is very anti-finance," he says. "Finance is about two per cent of the decision. What matters is innovation, producing attractive projects, and then making them haven?" Nevertheless he comments on a

nevertnesss he comments on a few finance text-book howlers. For example, one of the three investment projects involved a partial acquisition but although the company applied the standard discounted cash flow analysis to the convention. flow analysis to the operating returns from the assets, it failed to do likewise with the debt that it was acquiring, and instead used historic book values. The confusion between economic analysis of cash flows and accommic analysis of cash flows and accounting numbers appeared many times in the studies. The companies often failed to adjust consistently for inflation or tax when projecting cash flows. However Marsh believes that the managers often intuitively corrected for these errors by adjusting the other projections.

rected for these errors by adjusting the other projections.

For the general reader or manager, the study could have been written in a more interesting and accessible form if it had described each of the cases chronologically until the time of final approval. But this mould have betrayed confidentiality. would have betrayed confidentiality.
Instead, a strong theoretical structure has been imposed and incidents and quotations are mentioned in isolation to support or reject a particu-lar contention. This deprives the reader of any overall sense of how the organisations work and of the personalities and abilities of the key decision-makers. He therefore has to take it on trust that, for example, the chief executive of the third com-pany was acting with wisdom rather than luck when he forced a re-exami-

nation of one project.

However, the reluctance of the researchers to criticise any feature of the decision-making as dysfunctional is reminiscent of the work of the functionalist anthropologists who claimed to have discovered a deeper, wiser rationale for every practice of a primitive society, from self-mutilation to violent courtship rites. Certainly any manager reading the study in search of clear-cut criticisms and prescriptions will be dis-

"Managing Strategic Investment Decisions in Large Diversified Com-panies," from Centre for Business Strategy, LBS, Sussex Place, London NW1 4SAL E10.00

The changing paradigm of consulting, R.O. Manager in Journal of Management Consulting (Netherlands), Vol 3 No 487 (5 pages).

Reviews the changing background of consulting assignments created by the increasing sophistication of company personnel (many have MBAs and may even have attended courses in consultants, or use them for briefer periods "to act as coaches rather than quarterbacks," Advises on how consultants can cope.

backs." Advises on how consutants can cope.

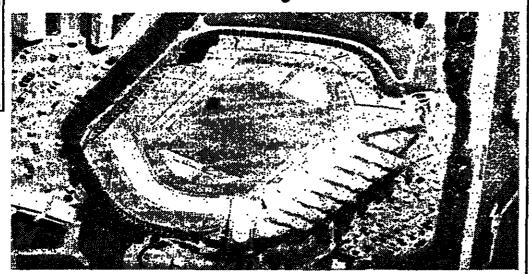
A successful drag-lesting programme. D.J. Peterson in Personnel (US), Oct &7 (8 pages).

Explains why drug testing is, becoming more common in US husiness, commenting on legal considerations and the need for a settlem policy. Warns of the a written policy. Warns of the risks of inaccurate results and suggests how to reduce them: discusses supervisor's role and recommends use of "employee assistance plans" in co-opera-

Reports research into recruitment training and promotion practices in the banking/finance industry, with particular reference to equal opportunities. Examines the general background to the research, particularly recruit-ment tiering, closed promoment tiering, closed promo-tional practices and the grant-ing of study leave. Concludes that, while equal opportunity initiatives have taken place in the major banks, they are unlikely to have a positive effect on the position of most female employees, and there are still organisational barriers to equal opportunities—and to equal opportunities - and organisational and technological changes now taking place are likely to reinforce them.

CONSTRUCTION CONTRACTS

£17m Don Valley Stadium



Golf course and homes in Cornish complex

ARC HOMES has completed an agreement to build 120 prestige homes at the recently opened St Mellion Golf complex in Cornwall.

The estate, which will consist of four and five-bedroomed homes, each set in half-an-acre. will border the recently opened championship 6,626 yard, par 72. golf course - the first in Britain designed by Jack Nick-

Design of the homes will contain substantial elements of Cornish architectural style and use local materials such as slate and stone. Construction will start in the first week in September, and the show house will be open by Easter

ARC's partners at St Mellion, Martin and Hermon Bond, expanded their farming operations into leisure in 1973 when they built the St Mellion Golf and Country Club. Six years ago they approached Jack Nicklaus to design a full championship

course which would surround the existing eighteen hole golf-Initially reluctant because of the challenges of the site, Nicklaus eventually agreed to pro-vide a scheme. The course was opened this year when Nick-laus teamed with Tom Watson, in a match before an invited audience of 1,000, against Nick Faldo and Sandy Lyle.

LOGAN FENAMEC (UK), Hull, has gained an order worth £7.5m from Gatwick Airport to make and install six tilt-tray sortation systems, six dispatch belt conveyor systems and over a hundred weigh scale/belt conveyors and associated con-

Work starts in October this year and all phases will be completed during 1993. Logan Fenamec (UK) is part of Figgie International Inc.

Britain's first national sports stadium since Wembley is to be built in Sheffield by DOUG-LAS CONSTRUCTION using "fast track" mangement contracting construction tech-

The £17.5m 40,000 capacity Don Valley Athletics Stadium is to be built on the site of an abandoned steelworks and its revolutionary design will make it an architectural landmark in the regenerated Lower Don

Construction work on the stadium which is being built initially for the 1991 World Student Games is to begin in October, with completion planned for March 1990. This will allow for a full season prior to the

The running track will be sunk four metres below ground level which will then be sheltered by surrounding banks for

spectator seating. This "bowl effect" is designed to give ideal viewing conditions and to give athletes every opportunty to set fast times and record break-. ing performances. The running track has been positioned so that the sun will be at athletes' backs during evening competi-

All facilities for competitors and officials are located at track level and all spectator facilities are provided at natural ground level and above, from a main concourse area.

Disabled spectators have level access from the main car park straight through to the mid-level of spectator seating. VIP facilities are provided at level 3 and Press areas and hospitality boxes at level 4, which is the highest level of the stadium. Space is also allocated for coffee bar, restaurant, creche and other facilities.

The north-facing grandstand will be the showpiece of the stadium. The roof will consist of a series of bays, each incor-porating translucent glass fibre canopies. The support for the canopies is provided by a system of Vierendeel trusses.

This is believed to be the

first time an athletics stadium has used such ladder beams in this way. The trusses also mark the spectator exit lines and are incorporated in the design of the hospitality boxes The roof will produce a softly lit environment during the day-time. For evening and night time competitions, the canopies will be lit from below and these will be visible from a

considerable distance. The site is at present unstable with abandoned working mines and coal seams beneath the surface. It will need grout ing prior to construction work

St. James's Square redevelopment

M.J.GLEESON GROUP has been awarded a £19m contract by MEPC for a redevelopment scheme at St James's Square, London. It combines refurbishment and detailed reinstatement of two Grade 2 listed Georgian properties fronting the square, with new offices to the rear, and apartments in Ormond Yard which have been designed to help re-create the mews effect. Enabling works by Gleeson have started.

The scheme gets underway this month and will take two

years to complete. Nos. 11 & 12 St James's Square - which will continue to provide office accommodation - both have internal as well as external listing. Parts of the interior of

No.11 are by Robert Adam. The facade of No.11 to be reinstated to the Adam facade of 1774. Internally, Gleeson will renew the floor, wall and ceiling fin-ishes, replace the electrical and mechanical services, and install a staircase.

This refurbishment will have to be specially phased. Grindlay's Bank occupies No.13 - the rear of which is to be demolished. After initial work has been completed at Nos.11 & 12, bank staff will move next door temporarily. The rear of No.13 will form part of the eight-floor 62,000 sq ft of high-technology offices. A feature is a central atrium linking No.11 & 12 St James's Square to the new building. This has been

designed to blend the old prop-erties with the new. Super-structure for the office block will be of steel-framed construction acting compositely with thin in-situ concrete slabs on permanent formwork. Glazed curtain walling is likely to be used externally.

The six two-bedroom luxury residential apartments in Ormond Yard will be built in an adjacent three-storey mews-style block served by lifts. Of brick construction with concrete floors, there will be security systems and cable TV facilities. Access to parking is via Ormand Yard. Spaces for 22 cars are to be provided in the basement of the offices

Trade Fairs and Exhibitions: UK

August 12-13 Cash and Carry Fashion Fair (01-727 1929) Kensington Town Hall August 14-18

DIARY DATES

Gifts Fair (0395 272010) Hove Town Hall August 16-18 Home Entertainment Dealer Show - HEDS (021-780 4171) NEC, Birmingham

August 18-21 Antiques Fair (0444 459917) August 21-24 International Jewellery Exhibi-

Kensington Town Hall

Kenilworth August 28-31 International Menswear Fair -MAB (01-437 8754) Earls Court

Business Design Centre

September 16-24 British Marine Industries Federation International Boat Show(0703 737400)

September 4-8 Crystalware, China, Ceramics,

Jewellery, Gifts and Furnishing Articles Exhibition - EURO-

Building and Construction Exhibition - CONBUILD

International Motor Car Work-

shop, Service Station Equip-

ment and Auto Spare Parts and Accessories Trade Fair

PACADO (01-484 1825)

(021-454 3385)

September 7-9

September 13-18

(01-977 4551)

Overseas Exhibitions

August 16-18 Fashion Week 01-937 8050) Tel-Aviv August 22-24 Nordic Fashion Fair (01-486

August 25-28
Office Equipment, Technology and Computer Systems Exhibition (0494 729406) Singapore

August 30-September 1
Traffic Engineering and Road
Safety Exhibition - TRAFFEX (01-636 3956)

September 1-6 International Machinery, Fac-tory Automation & Electronic Technical Exhibition - MECT-ASIA (0494 729406) September 4-10

International Autumn Fair (0375 392222) Leipzig

Business and management conferences

15th International Small Business Congress (Helsinki 358 0

August 30,31 and September 1 Financial Times Confrences Commercial aviation to the end of the century - Expansion in an era of accelerating change (01-925 2323) Hotel Inter-Continental,

Sentember 8-9 CBI: Increasing your sales to the Ministry of Defence (01-879 Centre Point, London WC1

September 8-9 The Industrial Society: Indus-trial relations for new managers (01-262 2401) Central London

CBI/Marketing Society: Mastering the market (01-379 7400) Centre Point, London WC1

tember 13

(01-379 7400) -Centre Point, London WC1 September 14-15 Employment Research Unit annual conference: New forms of ownership — management and employment (0222-42588)

Cardiff Business School

CBI Conferences: European

standards - Who needs them?

September 16 The Industrial Society: Harmonisation - A one-day semi-nar to examine the principles and practice of harmonising terms and conditions of employment (01-839 4300) 3 Carlton House Terrace, London SW1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

FINANCIAL

11.20

International Autumn Fair September 11-18 International Autumn Fair (Zagreb 41/511-666)

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Sootish & Mercantile Inv. Yst. 3.2p Do. A NIVig. 3.2p Startchiey 13p Starvetry Inds. 4p Turniculi Scoti Hedge. 13p D. NIVig. A 13p WEDNISDAY AUGUST 10 COMPANY MEETINGS Bristol Evening Post, Temple. Way. 12.00

Ultramer DIVIDEND & INTEREST PAY American Express 1909. American Express Inva. SAA 4.25p Baggeridge Brick 1.25p Brissol Evening Poet Sp Cition 57cts.

Banking on women: selection practices in the finance sector. D.J. Collinson in Personnel Review (UK), Vol 16 No5 87 (9

Values-oriented approach to quality. R.J. Gilbert in Quality Progress (US). Nov 87 Contends that too much

emphasis is placed on the tech-nological aspects of quality, e.g. statistical process control. Believes quality should be the focus of continual organisa-tional development rather than a programme; argues that good communication and involvement is the way to better quality rather than improved technology.

TROUGY. These abstracts are condensed from the abstracting journals published by Anber Management Publications. Licensed copies of the original articles may be obtained at a cost of 24 each pockning VAT and p+sc cash with order! from Anber, PO Box 23, Wassishy MAP BDJ.

Town and Country Festival

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FINANCIAL TIMES

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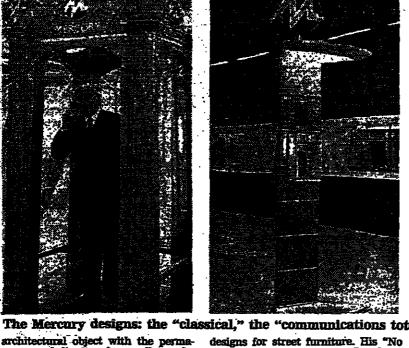
Mercury rings the changes for phone boxes

Like giant coffins, all over the kingdom they are over the kingdom they are over the kingdom they are being carted away. The death of the carried by old telephone boxes is curiously symptomatic of our highly temporary wiew of civilised design values. When symptomatic or see values. When the control of the design of a new tale petition for the design of a new tale phone klock in the 1920s, it seemed nerfectly natural that it was won by phone klock in the 1920s, it seemen that it was won by the consecration in the consecration in the day they are of his knighthood and just the year of his knighthood and just the consecration of his master.

the day the year of his knighthood and just the year of his knight hood and just the year of his knight hood and just the year of his knight hood and just the year of a great cathedral did not have the year of a great cathedral did not have his problem of street furniture. He nationally applied the architectural values and design standards that he had hear of street and small. There would both large and small. There would have of sping learned and innertied to every project by the large and small. There would have been no question then of going to the large of the large of design of the large o

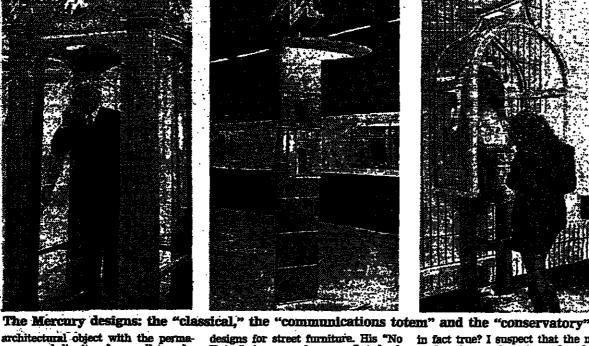
by the current attitudes to de matters of two new and potentially great companies - Mercury-Communications Limited and British Tele com. Both these compenies will be building telephone kiosks around the kingdom. British Telecom has already made a considerable impact in a saily negative way by their decision to cart away, sell or destroy some 59,000 of the familiar red telephone kiosks banks to some of them are the 1968 versions of the banks to some of them are the 1968 version of the position of the red kiosk designed by Bruce Martin and looking rather like a vertical

What are the virtues of the Scott design? The telephone box was a very Scott produced such pure and good



nence and dignity of a small temple. The shallow domed latern owed a distinct allegiance to the forms of Sir John Soane. The proportions of the glazing followed the rules of the "golden mean." The design was originally produced in two sizes, large and small. They stood about, sometimes in pairs, like married couples. Made of cast iron and weighing about a ton they were built to last. Scott simplified his first design (known as the K2, 1924-7) and produced in 1935 a simplified design called the Jubilee K6.

Don't Go Away Mad La Bayadere



Entry" signs were boxes on fluted col-umns topped by elegant lanterns. The important thing about all his work and the official attitude of the time was that it was classical in the best sense. Designed and made to last and inventively adapting the known and hallowed architectural principles.

What can be said about the latest telephone boxes? Mercury Communications have unveiled three types of kiosk which will, according to the official publicity, "enable aesthetic considerations to be taken into account at every location." The company does not wish to impose one design. Is this

in fact true? I suspect that the mud-

dled and worrying state of architec-ture and design in this country has made it hard for the company to

chose one clear solution. The three designs, art deco, designed by Fitch and Company, "classical," designed by John Simpson and Partners, and a conservatory type by Machin Designs - of garden greenhouse fame - working with an architect, Terry Farrell, comprise the

Fitch and Company have produced the worst design of the three. They

describe their model as. . . wait for

it... "a communications totem." It is a kind of rusticated pole with a telephone fixed to it and a sort of canopy that looks like the shelters used by policemen to keep the hot sun off them in the streets of Kuala Lumpur. The Machin Designs version is a

like a modest Gothic niche designed in clear glass. Against a wall it looks like an Edwardian tepidarium without the plants. John Simpson has attempted something more monumental with his four columned, pedi-mented design in blue and silver, but it has to be said that it is not as good as the Giles Gilbert Scott original. The standard British Telecom version is an American design - a stan-dard glass box with the bright yellow

logo and flashing. It is uninspired and does not look as if it will weather well. In fact, by the seaside in Hastings, this version is already the vic-tim of serious rust. I think that the weakness of all the new designs is that they fall between two stools. They are not sufficiently

well engineered to be technologically perfect forms (in the way, for instance, that a Concorde aircraft is). They are not sufficiently architectural to have the power and the presence they need in both town and country-This latter point has come about because of the involvement of design-

ers who are totally influenced by graphics and not by forms. The design consultant is producing, all over the country, the kind of childish fashionable graphics that symbolise the retail revolution, but which are transitory in terms of serious design values. The telephone box now joins that transi-tory world of ephemeral fashion, when before it was a distinguished element in all our towns, villages and

- proposed a sculptural plasti

Colin Amery

Rare concertos ALBERT HALL

Busoni's monumental Piano just as appropriate.

Concerto, played on Friday by Peter Donohoe and the BBC Symphony under Mark Elder, will surely come to be remembered as one of the outstandingly valuable revivals of the 1988 Proms season. Everything about the experience guaranteed memorability.

The hall itself always places massive musical structures in an advantageous light; and there was about the whole performance an air of determined advocacy, of belief in a work whose size and length are leg-endary but whose actual sound is seldom heard in the concert hall, such as mark the most rewarding musical explora-Has the work's time come at last? It has never lacked admir-

ers in the past (John Ogdon's performance on record should not be forgotten); nor has it gone short of detractors - the phrase from a Busoni essay by Alfred Brendel, "monstrously overwritten," can stand for the judgment of many others. What was brought out by the Donohoe-Elder account of the mighty five-movement struc-

ture on Friday, and no doubt emphasised by the Albert Hall ambience and acoustical patina, was the Mahlerian grandeur of the groundplan. Mahler, indeed, is constantly invoked by the confrontation of the metaphysically weighty

(grandly based paragraphs such as the first and third, broad and noble in conception and execution) and the demotic (the scherzo-type intervening movements based on popular tunes). The use of a male chorus (the BBC Singers, wonderfully ushered in from on high) in the finale certainly encourages Mahlerian parallels – even though others from Liszt's Faust Symphony seem **BARBICAN HALL**

Not everything about the work persuades the listener of its unarguable rightness in a single hearing. The piano part which combines magisterial post-Brahmsian breadth with ssamer fleetness, appears to be given the role not of orches-tral confronter and combatant,

but of mediator of ideas and

material

This element is achieved with a total command of style - in the such things as the surge of the opening movement, it is at once Busoni the composer and Busoni the virtuoso pianist who confidently addresses the audience. However in later movements, paricularly the long, slow central Pezzo serioso, the snaking chro-maticism of the invention, typical of the later Busoni, takes the listener into a more secre tive, private world than that postulated by the scale of the I felt on Friday, as I have done in the past, an imbalance

where at the heart of this splendid edifice. None the less, now that Mr Donohoe has learnt to encompass it with such magnificent and tireless authority, such invincible tech-nical address (measured at the lighter end of the spectrum by the most wonderful crystalline fingerwork), I should like more frequent opportunities to put that impression to the hard test. Further BBC performances under Mr Elder should also permit the orchestra to polish

of form and content some-

up those passages in the later stages where string and wind intonation was starting to droop; in matters of tempo control and variation the layout of the performance had already been mastered. A repeat. please, as soon as possible! of the most gripping forms of

tionary. To the others' delight and increasing excitement, "abide" is followed by "abil-

DONMAR WAREHOUSE The late William Saroyan would have celebrated his eightieth birthday this year. As a playwright his reputation a playwright his reputation as his characters behaviour. After the Highlands established his whinsical theatrical voice in 1939, Group Theatre performed his biggest success, happily revived recently by the RSC, the Pullizer prize-winning Time of Your Life. He never recaptured

> construction, his plays tread der his rival; a sort of existenthe tightrope between almost tial Happy Prince. surreal humour and sentimen The American Michael Mortality. One unexpected advanianty sums up the virtues of tage of Keith Hack's rather transatlantic acting at its real-plodding if earnestly worthy istic best with the apparent production of this 1949 hospital drama is that grimness keeps droll eccentricity at bay. The drawback is that the unremitting dourness of a medical pro-fession whose mortality rate with Mrs Thatcher's NHS except when the death toll begins to take on the air of And Then There Were None. In an eventful 24 hours in a

meet patients obsessed by going, quietly or not, into that good night. Chinese Andy Boy (David Yip) begins to real the dictionary aloud to black, embittered Greedy (Stefan Palisto) the cent to continue the continue of the continue of the cent to be a second to black, embittered Greedy (Stefan Palisto) the cent to cent to be a second t Kalipha) who is out to acquire understanding after a life hungry for money, food or women. He is devastated when his friend dies on the operating table. Brick (Philip Joseph), a powerful young man bursting with pent-up anger, finally cuts his wrists. A new admission vanishes to kill the man who stole his wife and adored son before returning to take over the task of elucidating the dic-

San Francisco hospital we

ity"; and we leave them with a sense of purpose and pride. Kneading the group together and providing each individual

with a reason for living is Georgie Porgie, rapidly going blind. He preaches hate, but his actions are those of love. He gives his last valuable pos-session, his ring, to the humiliated little man so that the lat-ter can glimpse his son for the the winning formula. ter can glimpse his son for the Wilfully unconventional in last time – and possibly mur-

relaxed naturalism that in fact stems from flerce discipline. He convinces in physical pain, tapconvinces in physical pain, tapping his feet or drumming clenched fists on his knees; and manages to inject moments of lightness into the general dolefulness. He flags only when, after two and a half hours, he has to give the others a resume of what the audience already knows But his ence already knows. But his conviction steers us quickly over what might be uninten-tionally ridiculous passages of excessive misery or head-on symbolism. A powerful and distinguished performer. The play is uniformly well acted, down to Fred Pearson's authentic accent as an old Moz-

art-obsessed Greek, Nick Edmett's janitor and Barrie Houghton's despised husband. This shabby little figure in its absurd red toupee can express hurt and grief, the drawn face ugly with despair, standing in eloquent stillness, and like Mr Moriarty should grace our theatre much more.

Martin Hoyle

BUSINESS DESIGN CENTRE Kirov Ballet's tova showed us no pale and

divertissement programmes at the temporary but efficient theatre in Islington have brought moments of extreme theatrical excitement in recent days. Makarova's return to her parent troupe on Saturday night was, of course, heartcatching in its emotion and in its sheer command of the dance. It would be hard to imagine a performance of the Odette/Siegiried duet more saturated in meaning, or more grandly a statement about the indelible and ennobling power of Leningrad schooling. Maka-rova yearned and aspired, her feelings — like her body feelings – like her body – enveloping the distinguished Konstantin Zaklinsky, and it was as if she had never been separated from the fountainhead of her art. Different, but no less thrill-

ing, was the appearance of Altynai Assylmuratova as Nikiya in the Kingdom of Shades act from La Bayadere on Friday night. As the spectral temple-dancer, Assylmura-

For anyone who has thought

forgiving ghost, but a majestic and commanding spirit. The dance had an insistent force, seeming to be an urgent declaration about Nikiya's sufferings in the preceding acts which have shaped this astonishing statement about her identity and, naturally with the Kirov, about the classic dance itself. Assylmuratova was here revealed as a great dancer. The technique is not extravagant, but the comprehension of style - the large-ness of the movement, its sub-tle controls, the magnificent generosity of gesture - created images of unalterable rightness and beauty. Arm raised, with the ravishing stretch of the body seeming to lift from waist right through to finger-tips and beyond, Assylmuratova commanded the heavens. The fullness of meaning she brings to the least movement tells of an artist touched with the divine fire.

Assylmuratova was partnered by Faroukh Ruzimatov. He would seem to be ideal for the role of the warrior, Solor, in a full-length staging, but I detect slight mannerism in his reading, a reliance on extravagantly arched poses which become self-parody. The thrust of his dancing remains as vivid as ever: the danger is that he may, in order to satisfy his new legion of admirers, pro-vide them with Ruzimatov rather than Solor.

The opening cascade of shades pouring out of the night spoke once again of the effort-less rightness of Leningrad schooling; the trio of Irina Chystiakova, Irina Sitnikova and Zhanna Ayupova was superb, and if the golden apple must be awarded, let it be to Chystiakova for holding up the jewel of her solo to the light. The centre of the evening

was given over to what the programme called "contemporary choreography." Extracts from Oleg Vinogradov's recent Knight of the Tiger Skin — which deal with the mediaeval Georgian poet Chota Rustaveli

que; the duet from Roland Petit's Notre Dame de Paris found Sergey Berezhnoi as Quasimodo being comforted by Galina Mezentseva's Esmeralda, in a scene given credibility by Kirov style; and to the Crucifizus from Bach's B Minor Mass, Olga Chenchikova and Yevgeny Neff were trapped in an insufferable chunk of Bejartery, dancers and ballet itself equally crucified. The other items - an adagio by Boris Eifman for Yevgeny Neff, which looked like a clinical study of delirium tremens, and a jokey duet by Dmitry Bry-antsev for Chystiakova and Zaklinsky, which turned the gold of their talents to lead, defeat further comment. Friday's programme ended with a version of the third act

of Sleeping Beauty. It was not happily cast, save in a radiant quartet of fairies, and on the Kirov's next visit we need to see the full ballet to savour the glory of the production. Clement Crisp

Pink Floyd

rock has been getting too far above its station of late, trying to feed the world's hungry and working to free its political prisoners, the return to these shores of Pink Floyd must be reassuring. The re-formed group arrived at Wembley on Friday, trailing clouds of glory friday, training cious of giory from a year-long world tour built around its latest album, A Momentary Lapse of Reason, for a show which must have gladdened the hearts of the faithful as much as dampen the spirits of all who hoped the

gence had gone forever. The Pink Floyd which is on the road now contains two of the band who ceased perform-

days of self-absorbed indul-

ing in 1983, Dave Gilmour and Nick Mason, and another for-mer member, Rick Wright. The other founding father, Roger Waters, is deep in litigation with his former colleagues over their continued use of the name. The show involves 11 musicians and mixes old and new Floyd: the latest album is the focus of the first half, a medley of old favourites - "Money". "Wish you were here", "Another brick in the wall" - follows in the second, and the whole is counterpointed, of course, by a spec-tacular light show. What looked to be a flying squid was sent careering into

the farthest recesses of Wem-bley early on, and the second half was heralded by what appears to be the leitmotif of the latest album, a hospital bed descending to the stage. However for a group which has been perfecting its act for almost 20 years, the rate of

have been unnaturally slow. Advances in stage technology have been diligently absorbed, and with it the last traces of individuality eliminated. Plodding harmonies, unstressed vocal lines and coarsened textures create an anonymity which paradoxically carries its designer label like a badge. designer label like a badge.
The package – sounds, lights
– is the thing, and unless one
can suspend disbelief and surrender to its blowzy charms, it
seems now woefully dated.

Andrew Clements

musical evolution seems to

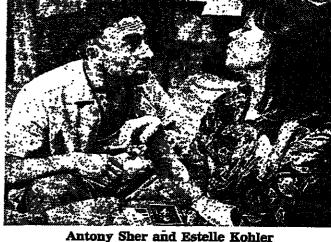
At the Barbican on Saturday

evening, the Summer in the City 1988 enterprise gave house-room to a Royal Philhar-monic concert of 20th century English music whose unusual feature was a revival of Britten's Violin Concerto (1940). This is a work occasionally heard, but not as often as its peculiar genius warrants: above all in the long final Pas-sacaglia, the creative ambiguity of Britten's personality the virtuosity and beauty of the musical sonority, the intricate, complicated quality of the musical "message" - finds one

cal output. In truth, it needs a violinist more reliable in matters of accuracy and tuning than the

expression in his entire musi-

sympathetic Ernst Kovacic. and a more distinctively hard-edged orchestral support than provided by the RPO under Charles Groves (standing in at the last moment for the ailing Vernon Handley). All the same, a decent amount of the work's strange lyrical intensity came across. Max Loppert



Hello and Goodbye The RSC has opened a short with the old man's comforting

season at the Almeida in Islington, the venue where the "Not the RSC" festivals have enjoyed past success. Their opening card is a star-studded two-hander by a popular writer; for new and possibly more abrasive work we must watt until later this week.

Meanwhile Athol Fugard,
South Africa's best-known

playwright, launches the cycle with his confrontation between reunited brother and sister, after years of absence, one sweltering night in Port Eliza-The brother has spent his

adult life looking after a crip-pled father. The sister sweeps back determined to claim her share of the compensation she assumes the old man received for injury sustained in a working accident. It transpires she has become a prostitute; her throbbing resentment of the hypocrisy of respectable society and her ferocious yearning for the freedom money will bring are finely expressed by Estelle Kohler. The brother is played by her

fellow South African, Antony Sher. As ever a very physical actor, Mr Sher convinces emotionally as well — not always the case; but then his roles don't always demand anything more than comic-strip garishness. This is a vivid depiction of

how parental obligations turn to obsession, then fungoid entrapment, then osmosis. The son ends up hobbling around

the fact that the old man is recently dead and buried is kept from the woman until the end of the play.

Both players pull out the stops as they pull out the past, though this occasionally means blundering into the furniture on Louise Belson's three yearled set and country.

crutches.

A kind of suspended child-ishness characterises Mr Sher's

Johnnie, from his almost sim-

ple-minded jokiness to his delighted cry, when his sister falls under the spell of nostal-gic recollection, of "You've for-

gotten what you're looking for!"; as if she too could join him in warding off reality for a

while.
The bulk of the action con-

sists of the couple's rummag-ing through their father's effects in search of the money;

three-walled set - so convinc-ing you can almost smell Johnnie's unemptied slop-pot, but a trifle cluttered. Janice Honeyman's direction gives the acting its head, which may be why the final impression is that of a bravura

display rather than a heartfelt, harrowing account of the past, though Miss Kohler does convey the cathartic impact of coming across her youth in old photographs and in her mother's old clothes with their characteristic perfume. The play is about degrees of

resignation, how one embraces the inevitable, and the performers do it proud. Martin Hoyle

Festival in Lisbon The educational division of the

Calouste Gulbenkian Foundation is organising its second New Theatre/Dance in Europe It will take place in Lisbon

from September 7-17 and will be called Encontros Acarte 88.

Eleven companies from

nate, presenting 27 shows. The festival will include the world premières of two plays by Heiner Müller, "fado" (Portuguese folk songs) and jazz

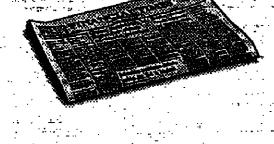
seven countries will partici-

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ARTS GUIDE New York London

and Schönberg. Royal Albert Hall (Tus).

RBC Scottish Symphony Orchestra, conducted by Jerzy Maksymiuk, with Barry Tuckwell (horn) and Yvonne Kenny (soprano). Sibelius, Then Musgrave, Britten and Mozart. Royal Albert Hall (Wed).

BBC Scottish Symphony Orchestra, conducted by Jerzy Maksymiuk, with Margaret Marshall (soprano) and Caristine Cairns (mezzo-soprano).

Felix Mendelssohn, Gerhard and de Falla. Royal Albert Hall (Thursday).

Maria-Cecilia Parina (organ). Prescob-aldi, Scarlatti, Bach. Saint-Severin

Chirch (Mon 8.30mn). Quatuor Bousel. Haydn, Arriaga, Mozart. Auditorium des Halles (Tue

Notari. Auditorian to James 1, 1970.

Veronique Dietchy (soprano). Scarlatt's instrumental compositions Salve Regina; Stahet Mater. Saint-Section Church (Wed 8.30 pm).

All the above are part of the Festival Estival (48.04.98.01; answering machine in English round the clock 20.04.09.00 pm 20.00.00.

Amsterdam -

Artister Catta

National Youth Orchestra of the
Netherlands, conducted by Adam
Ganehouse. Bruckner (Tue); Heinrich
Schiff, cello: Bach (Thur). Concertgobouw (718 345).
William and Harry candlelight concerts, Gustav Leonhardt, organ: Sweelinck, Van Noordt, Byrd, Bull, Tomkins, Blow, Purcell (Mon). The Strieen
Consort under Harry Christophers:
Purcell (Thur). Nieuwe Kerk, Dam
Square.

Aug 5-11

Mew York

Mostly Mozart Festival. Cleveland
Quarist, with Emanual Ax (piano)
and Paula Robinson (flute). Mozart,
Mendelssohn, Schumann (Mon).
Mostly Mozart Festival Orchestra,
conducted by Hermann Michael, with
Emanuel Ax (piano), David Shifrin
(clarinet). Rossini, Mozart, Schubert
(Tue, Wed). Avery Fisher Hall, Lincoln Center (674 2424)
Jufiliard Concerts. The Daphnis Trio.
Bach, Pachelbel, Fauré. (Wed 12.30
mat). Free concert at IBM Atrium
(66th & Madison).

Washington

Wolf Trap Festival. Popular Music Concerts this week include Ray Charles (Mon) and a Soviet-American izzz combination of Paul Winter and the Dimitri Pokrovsky Singers (Tue). Israel Philharmonic, conducted by Kurt Mazur. Beethoven, Mussorgsky, Haydn (Wed). (432 6206).

Chicago

Ravinia Fectival. Louis Lortie piano recital. All-Chopin programme (Tue). Chicago Symphony Orchestra, conducted by James Coulou Zimman, with Vladimir Feltsman (piano). Mussurgsky, Rachmaninoff, Dvorak (Thur). (728 4642).

Tokyo

Tokyo

Hiroko Nakamura (piano), with the
New Japan Philharmonic Orchestra
conducted by Shigeo Genda. Chopin.
Suntory Hall (Mon). (258 8755).
Tokyo Metropolitan Symphony
Orchestra. conducted by Kazushi
Ohno, with Naomi Matsui (organ).
Mussongsky, Saint-Saens. Suntory
Hall (Tues). (222 0727).
Eoto and finte recital by Sawai Kazusand Nishizawa Yukihiko. Vario Hall
(Wed). (818 4151).

FINANCIAL TIMES

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Monday August 8 1988

Mr Baker's legacy

MR JAMES BAKER has quit the US Treasury to take con-trol of Mr George Bush's presi-dential campaign with a deservedly high reputation. The US trade and budget defi-cits remain unacceptably high, the world debt crisis is unre-solved, financial markets are fragile in the wake of last Octosolved, inhancial markets are fragile in the wake of last October's crash, and US inflation is on the rise again: all the same, Mr Baker is regarded as having done as good a job as was possible in the circumstances. He inherited a chronically unbalanced scanomy from Mr Den. anced economy from Mr Don-ald Regan, his predecessor as Treasury Secretary, and has had to accept the fiscal limitations imposed by a President who would not countenance

tax increases.

Mr Baker's greatest contribution lies in the field of international economic policy coopera-tion. He was the principal architect of an historically sig-nificant shift from freely floatnificant shift from freely floating exchange rates to today's regime of managed currencies. In the autumn of 1985, at New York's Plaza hotel, he persuaded the world's leading finance ministers to cooperate in a managed depreciation of the then wildly overvalued dollar. This was followed, early in 1987, by the Louvre accord in Paris, at which the finance ministers signalled that depreciation had gone far enough.

Surveillance

The currency pacts were only the visible tip of a co-ordi-nation iceberg. Mr Baker was also the driving force behind the introduction of a new sys-tem of "objective economic indicators" designed to facili-tate multilateral surveillance nomies. The use of indicators - to monitor key aggregates like growth and trade balances — was to ensure that the domestic policies of Individual countries would be glob-ally compatible. The US Treasury argued that the strains of the mid-1980s had been caused by the unwitting pursuit of inconsistent policies earlier in the decade.

The co-operation inspired by Mr Baker has certainly been effective in the short run. The depreciation of the dollar was gathering ominously over Capi-tol Hill at the time he swapped jobs with Mr Regan. But it was restored to health.

sufficiently controlled to avoid the kind of financial crunch that could have tipped the world economy into outright recession. Indeed, Mr Baker's only failing has been his tendency, on occasion, to adopt too hectoring a tone with his partners. He may have helped spark off the October stockmarket crash by publicly criticising West German interest rate rises.

Mr Baker's Third World debt initiative has been far less suc-cessful. The irony is that while cessful. The irony is that while he was able to sway foreign finance ministers, he could not alter attitudes in the board-rooms of the hig US commercial banks. The US Treasury has persistently called on the banks to support World Bank and IMF programmes by lending more generously to the debtors. The banks have refused. While an outright default has been avoided, a long-term solution is still not in sight. Fresh thinking will be needed after the US election.

Momentum

At home, Mr Baker had the good fortune to occupy the Treasury while Congress was creating the most sweeping tax reform this century. The 1986 Act eliminated a host of tax shelters, scrapped corporate investment subsidies and reduced the top personal tax rate to 33 per cent. It lent momentum to a worldwide tax reform movement. The only reform movement. The only pity is that Mr Baker felt unable to challenge the presi-dential ban on tax increases; had the reform included a modest increase in indirect taxes, the US might now have a bud-get surplus and the course of financial history would be quite different.

As it is, future US treasury secretaries will have to grapple for many years with the finan-cial strain of being the world's largest debtor nation. They will also have to convince the world that the US has more than an ephemeral interest in international economic cooperation. In the past, Uncle. Sam has shown interest in coordination only when the dol-lar was weak. The unanswered question is whether the US will doctrine of cooperation once its external accounts are fully

The struggle for quality

Japanese have known for 1983 helped spark widespread decades: that consumers value the performance and reliability of a product at least as much decades are evident from daily the state of the performance and reliability of a product at least as much decades. as its price. No self-respecting manufacturer in Europe or the US is now without a quality

improvement programme.

The fashion is not yet as widespread among service

As Garvin argues, it is often still not realised that quality management can only succeed widespread among service organisations. But a few pio-

efforts are proving at best partly successful. Having raised customer expectations of better service quality, organ-isations are failing to deliver it consistently. In contrast with BA, British Rail may be falling into this trap, as the contents of an official watchdog's report

Onality circles

Among the leaders of this western quest for quality, sophistication has come a long way since 1980, when poor quality was almost invariably blamed on bad shopfloor workmanship. Many of the "quality circle" programmes introduced in the early 1980s foundered underpin these self-organising groups of employees with action on its own part to improve design, development, manufacturing, distribution and service – all of which con-

and service - and which tou-tribute to quality.

In the last few years such omissions have been rectified in a growing number of companies, as top management has grasped the issue of quality. Though plenty of companies are now making the grade - at least in manufacturing many others are falling to do so because their quality programmes lack both dimension and depth. Some of the shortcomings are listed in a new book called Managing Quality by David Garvin, a Harvard

WESTERN INDUSTRY has at academic whose devastating observation of organisational performance, especially in ser-

if it is treated not as a specialneers, notably Scandinavian Airlines, have introduced ambitious customer service programmes which have organisation. Nor is it suffispawned a growing band of emulators. British Airways is one of the best-known.

A fair proportion of the manufacturing programmes are achieving their aim, but too many of the service sector efforts are proving at best parely. grammes are wholly inadequate: quality training and retraining need constant reinforcement.

Consistency

All this is difficult enough to achieve in the factory. It is far harder in service organisations such as banks and especially transport, where much of the company's quality (or lack of it) depends on small, far flung teams of employees providing consistently effective and help-ful service to individual cus-

British Rail is a prime case in point. As last week's watch-dog report emphasised, the overall quality of its services has improved in recent years. But customer service - time keeping, overcrowding, cater-ing, public announcements, train cleanliness and so on is still at best inconsistent and at worst downright bad. Whatever the effects may be

of past spending cuts, low pay rates, and the relatively poor standard of much front line staff, the fault lies squarely with management. BR's staff training has been neither wide-spread nor thorough enough to deliver consistently – or, in some cases, at all – the sort of quality of service promised by its glamorous advertising and promotion. Its executives should remember that a mismatch between expectation. and performance usually proves deadly in the world of management.

Robert Graham reviews President Reagan's record in South America

elatedly, the Reagan Admin-istration is attempting to do some fence-mending in Latin America. This is the message behind the current tour of the region by Mr George Shultz, the US Secre-tary of State, which winds up this week in Central America. He certainly needs to do a lot of sweet-talking. Relations with the region have been soured by misunderstandings, neglect of traditional allies and profound disagreements – first over how to tackle conflict in Central

America, latterly over the handling of the crisis in Panama. The overriding sentiment among Latin American governments is that, throughout the Reagan era, Washington has been unnecessarily obsessed by the threat of Soviet and Cuban influence in Central America — to the detriment of dealing with the region's real concerns, such as the debt crisis, the consolidation of democracy, and trade issues. And nothing has made President Reagan look more foolish than the bungling of attempts to get rid of General Manuel Antonio

strongman.

All this scarcely squares with the brave words of the 1980 Republican Party platform, which claimed "the Carter administration's policies have encouraged a precipitous decline in United States relations with virtually every country in the region." The platform pledged a "strong new US policy in the Americas."

In the event Central America and

Norlega, the Panamanian military

In the event, Central America and the Caribbean has been the only area in global US policy under President Reagan where ideological guidelines have consistently triumphed over practical considerations. From the outset Mr Reagan watered down the Carter emphasis on human rights and set a priority on eliminating Soviet and Cuban influence in the hemisphere. The objective enjoyed bi-partisan support in Washington because the Cuban bogey had been revived by the Marxist-orientated Sandinista Revolution and the outbreak of civil war in El Salvador in 1979.

war in El Salvacor in 1878.

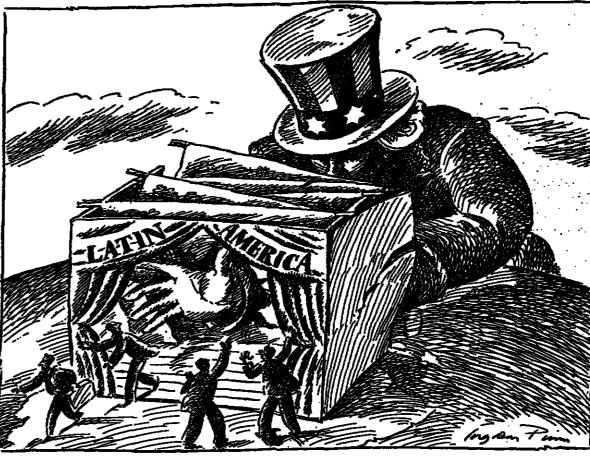
Throughout Mr Reagan's two Administrations, however, a general failure to consult allies in the region has produced precisely what the President's strategists sought to avoid – a more independent Latin American region it is sufficient and increase and voice. It is unlikely to disappear, and could well prevent the US from exer-cising the influence over the region, implicit in the Monroe Doctrine, which has previously seemed its prerogative.

"The policies have been so demon-strably wrong that there will be shifts, certainly with Dukakis and even with Bush," says Professor Wayne Smith, a former State Department official now teaching at John Hopkins University. The main shift be anticipates will be a move away from the US acting alone, in an intervent tionist manner, to a more multi-lat-eral approach. The change would, of course, be more marked under Mr Dukakis, the Democratic candidate. He is a fluent Spanish speaker, who was, according to associates, deeply affected by his six months spent studying in Lima, Peru in 1954.

Throughout the Reagan years, Central American issues have absorbed the lion's share of the administration's eperates and recourses Since

tion's energies and resources. Since 1980, over \$6bn in military and economic assistance has been poured into Central America to prop up US allies. Senior officials assert in public that without such aid the Sandinista revolution would have been consoli-dated and other Central American governments weakened – if not top-pled – by left-wing insurgencies. However, in private, the comments

on Central American policy are self-critical. Only the most fiercely anti-communist officials are willing to pass the blame for limited results to Congress, and its failure to support



When ideology holds sway

the Contra rebels in Nicaragua. But the record speaks for itself: the left-wing insurgency in El Salvador con-tinues at much the same intensity; the Contras have not ousted the San-dinista Government in Nicaragua but are suing for peace amidst deep inter-nal divisions; meanwhile per capita incomes have fallen 25 per cent over the last decade and vast sums are needed to reconstruct Central America's devastated economies.

The Latin Americans have been restrained in their criticism of this record, anxious not to antagonise, and aware that this is the US's backyard. They have been more forthright over Panama. Latin American critics argue that the US has been openly contemp-tuous of another nation's sovereignty, and willing to introduce draconian economic sanctions without thought of their long term impact.

As a result, confidence has been undermined in the US as a partner to tackle the major issues facing the region. Such lack of confidence led to the formation in 1983 of the four-na-tion Contadora Group (Colombia, promote a peace plan for Central America in virtual defiance of the

Contadora subsequently attracted a support group (Argentina, Brazil, Peru and Uruguay), that broadened into a new forum for all the region's concerns. Last December this Group of Eight held a summit in Acapulco – the first time Latin American leaders have met outside the context of the US-dominated Organisation of Ameri-can States (OAS). This was not so much Latin Americans ganging up on Washington as a signal of their desire the main issues. It might not have have happened had the US devoted more individual attention to the important countries in the region — Argentina, Brazil and Mexic

The irony is that both the Reagan Administration and the region's lead-ers are in broad agreement on what the main issues should be: the resto-ration and consolidation of democracy, the debt crisis, the deteriorating terms of trade and the fast-spreading cancer of the illicit drugs business.

Nothing made President Reagan look more foolish than the bungled effort to oust Panama's General Noriega

The Reagan Administration cites the number of countries that have returned to democratic government (Argentina, Brazil, Bolivia, Grenada, Guatemala, and Uruguay). Yet, save in Grenada, the US has been more spectator than actor in the trend away from military government. President Reagan has certainly failed to unseat the most entrenched rightwing military regimes, Chile and Paraguay, if indeed he really wished to do so. Nor has the much trumpeted described in the content of the con Duvalier from Haiti produced democracy, underscoring that the US has less ability than is often assumed to determine events.

The Administration has been most

consistent and successful in dealing with the debt crisis. Adopting a case by case approach has ensured that none of the major debtors' problems.

reached a critical point simulta-neously. But debt policy has never moved beyond an exercise in contain-ment to find long term solutions. The Baker Plan was welcomed when launched in 1985 because it sought to restore growth in Latin America through a mix of economic reforms in the debtor countries and new public and private lending to meet their capital needs. However, the resources promised have been forthcoming neither from the commercial banks nor multi-lateral institutions. Indeed, a nunch-needed capital increase at the inter American Development Bank is being stalled by a dispute over US control of the bank's operations.

In the case of drugs, President Rea-gan will leave behind an atmosphere of mutual antagonism, with many Latins fearing that narcotics have become a new catch-all excuse for domestic interference. Such a legacy is unfortunate because drugs is the one area where both sides have a clearly defined mutual interest in cooperation. For some drug-produc-ing countries, it (the narcotics trade) issue affecting their relations with the US," commented a recent report on hemisphere relations by the indepen-dent forum, Inter-American Dialogue. Since the 1986 Drug Abuse Act, US aid has been conditional on the Administration certifying a country's anti-drug efforts. This certification process has caused periodic tensions with the Behamas, Bolivia, Colombia, Mexico

the past seven years a gang of right-wing ideologues have been running things", says Prof Wayne Smith. "George Shultz has been interested in East-West issues, Europe and the Middie East. Latin America was left free to the Right and what they said appealed to the President's anti-Communist instincts."

Where Mr Shultz has directly involved himself, pragmatism has pre-vailed. He limited the damage caused by the open support the US gave to Britain during the Falklands conflict in 1982, he argued against overturning the efforts by President Oscar Arias of Costa Rica to present a Central American peace plan; be has helped head off a trade war with Brazil; and latican peace plan; be has helped head off a trade war with Brazil; and latterly he has accepted the need to bring Cuba into a serious dialogue over the future of southwest Africa.

But during the second Reagan term Mr Shultz mostly gave free reign to Mr Elilot Abrama, his zealous young deputy in charge of inter-American Affairs. "There have been very strong people making policy, Abrams in particular, who have terrorised the bureauxacy," says Mr Richard Feinburg of the Overseas Development Council. The particular concern of Mr Abrams and his circle was the war in Central America.

The Central American conflict rarely enjoyed more than grudging support in Congress: Democratic votes were usually won over simply because politicians did not wish to be tagged as soft on communism. Congress's rejection of further military sid to the Contras in February owed a good deal to the persistence of Costa Rican President Oscar Arias in pressing ahead with his Nobel Prize-winning peace plan.

Washington insiders are convinced

ming peace plan.
Washington insiders are convinced it was lack of success with the Contra cause that led Mr Abrams to seek a "quick win" in Panama by removing General Noriega. Now that this ven-ture has backfired, Mr Abrams is under strong pressure to resign. But he has clung on, if only because his departure would be too humiliating both for the right and the White

With Mr Abrams's wings clipped Mr Shultz has become more directly involved in Latin American affairs. Notably, he has encouraged some back-stage diplomacy to improve rela-tions with Cuba, which has borne fruit in the recent talks on the future of Namibia and the withdrawal of Cuban troops from Angola.

The long standing adversarial relationship with Cuba is being undermined not just by improved superpower relations, but by a mellower mood in Cuba and by changing circumstances in Latin America. Washington could successfully solved to the authority are contacted by while the continent was controlled by while the continent was controlled by right wing military governments. The new civilian governments are less amenable to arm twisting and possess a less ideologically tinted view of the world. The example of Cuba's heavy dependence upon the Soviet Union and the disastrous performance of its economy is being avoided even by leftist Nicaragua. Thus, for instance. leftist Nicaragua. Thus, for instance, the newly democratic governments in Brazil and Uruguay have restored diplomatic ties with Havana; and the post-Reagan era could well find Cuba requesting admission to the OAS.

As a result, the next administration

As a result, the next administration

- whatever its political complexion

- is likely to give the communist
threat less prominence in shaping
Latin American policy. The Reaganadministration's legacy in Central
America, at least, will be more easily
dealt with by pragmatism.

Many mistakes and antagonisms of
the Reagan era can be rectified by

has caused periodic tensions with the Bahamas, Bolivia, Colombia, Mexico and Panama.

The Reagan Administration's policy failures in Latin America have been as much as anything due to the nature of the people involved. "For see the US respect international law.

The Word is made fresh

■ The Anglican church, not always happy in its relations with the media, showed a remarkable access of sophistication at the Lambeth confer-ence, just ended, in its inter-pretation of the Word for the earthy scribes of Fleet Street. The conference was attended with the full modern panoply of handouts, summaries, brief-ings and TV interviews with the latest electronics to send episcopal resolutions to the

round earth's imagined corners at 186,000 miles per second. at 186,000 miles per second.

The press operation, which took 16 months to plan, was a great contrast with the last full Anglican conference a decade ago, when little preparation was made for a large congregation of journalists. This resulted in some unfortunate encounters between the first and the fourth extres of first and the fourth estates of the realm. Some hishops, sit-ting down to their repast after a hard day's disputation, were dismayed to find themselves next to an earnest reporter trying to trap them into apos-

This year, therefore, at the campus of the the University of Kent, segregation was ordered, with a staff of ecclesiastical press officers charged to deliver bishops for interview when required. This was not entirely easy. As Dr Ronald Bowlby, Bishop of Southwark and head of the operation, remarked: "We had 525 bishops on a campus of 300 acres, and none on them was on the telephone. Even though we had the most modern equipment in the university technology centre we had to resort to run-

After some initial grumbling among the 225 accredited press personnel, the system seems to have worked well. Sceptics were impressed, for example, that Dr Robert Runcie descended to a press conference on the ordination of women flanked by bishops

OBSERVER

with strongly opposing views. This new spirit of doctrinal This new spirit of doctrinal glasnost was also illuminated by the fine performance of Dr Richard Holloway, Bishop of Edinburgh, as host of a BBC1 episcopal chat show called The Lambeth Walk, Eschewing all the usual waffle, he elicited by the brotherly disappressent about brotherly disagreements about homosexuality, polygamy, the conflict between authority and uncertainty and the relation of doctrine to science all with a definess which made religion seem a lot more interesting than many of the usual media pre-occupations. His guest tonight is Bishop Tutu. Don't

Peerless

■ Mr Robert Maxwell, chairman of the Mirror group, who has been re-discovering his Jewish roots, confided to Israell television viewers last week that his chief goal in life was to help mankind. "If I were a woman," said the portly Mr Maxwell, "I would always be pregnant. I can never say 'no'."
To illustrate how little con-cerned he is with his own personal glory, Mr Maxwell revealed that he had once even turned down a peerage, though who made him the offer - and when - was not stated.

Octomania

■ Today, in case you hadn't noticed, is a special day for calender arithmetists and owners of digital watches, being signated by a perfectly symmetrical number, each of whose digits is two to the power of three

This curious fact has achieved almost portentous significance in Hong Kong, where the number eight, pro-nounced "bast" in Cantonese, sounds similar to the word for



must be a mirage*

prosperity, and is a very lucky number.
Those taking advantage of today's once in a century con-junction of digits include the hillionaire businessman Li Kashing, whose Watsons retailing group is opening a new store. cagle Star Insurance moves into new office also today, just for luck.

Matheson Personal Financial Consultants is throwing a qua-druple eight party at the Man-darin Hotel. Everybody who can is getting married on August 8, while hotels offer champagne dinners at HK\$888.88 for two. Purists point out that the Chinese New Year fell in late

February, so it isn't properly the eighth month but the sixth month of the lunar Year of the Dragon. However, the west-ern calendar has been estab-lished in China since early this century, after its introduction by Sun Yat-sen when he formed the republic in 1911. The luckiness of eight is shown by the many business phone numbers with multiple eights. The Hong Kong stock

exchange, though not recently famous for its good fortune, has a post box numbered GPO 8888. The Hong Kong textile tycoon Law Ting-pong made it into the Guinness Book of Records earlier this year when he paid HK\$5m for the territory's most recognisable num-ber plate - a single eight. Nice tone

M Another happy result of the British Telecom tone dialling system: the Westminster office of the Society of Telecom Exec-utives, the top phone man's trade union, (799 1844) dials the opening bars of The Red

Scheduled stop Mr Victor Bawab, the only British Airways representative in Beirut, was so devoted to duty that, in spite of having his car blown up twice, dodg-ing bullets and evading road-

blocks, he never failed to get to work on time
To whip up business in the
eastern part of the city, he
would to fly 100 miles to Larnaca, Cyprus, then take an 18-hour boat trip to the north of Lebanon. Now, on his retire-ment after 19 years, BA is awarding him a special holiday. But alas, he will have to take inferior transport to begin it: the world's favourite airline

All mixed up

ill-starred city.

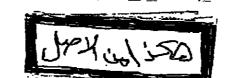
The disposal of assets including cars and office furniture from the collapsed Barlow Clowes Gilt Managers did not, it now appears, include goods with a more frivolous purpose specified in the sale notice. The auctioneers put wine, con-doms and other items together with the Clowes assets in what what solicitors acting for Mr Peter Clowes now regard as a most unfortunate conjunc-

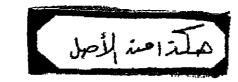
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Therica British holidaymakers — caught up in the caught up in the inevitable flight delayer for British overseas tour operators have be weakend — may not have the weakend — may not have a country for the pack of the weakend — may not have a country for the pack of the weakend — may not have a country for the pack of David Churchill reports on a dismal summer

Sun, sand and surplus seats



when the June General Ricc. last summer decided to wait tion caused a histus in late holand see what discounts would iday bookings, so much so that be on offer this year before booking. Others have decided tour operators panicked and slashed prices: holidays as low to forsake Spain and Greece and take advantage of a favourable dollar exchange in price as £49 for two weeks in Spain were widely available. rate to holiday in Florida and the Caribbean this year. The tour operators, deter-mined not to discount prices so Airport delays caused a sharp slump in last-minute holiday bookings

heavily this summer and thus maintain respectable profit margins, decided early on to cut capacity back by consolidating flights and holidays.
They also decided to use fuel surcharges to bolster margins a little more (though public outery and the intervention of numbers of charter flights licensed by the CAA. But the market for Mediterranean sunshine holidays this year has never, shown the strength to Justify such an increase in the Government forced the Economic uncertainty after the October crash deterred leading tour operators to for-swear surcharges from next

Although bookings picked up in late spring, helped by

rising wage settlements and tax cuts, the number of holidays sold was still running below the level of 1987. But just before the fiasco at the holiday airports, tour operators and travel agents saw signs of the market picking up. That recovery was halted by the bad publicity of airport delays. Since then, as the delays have slipped from the news, agents report that sales have picked

Will they recover in time to bring August profitability back

on target?
The major tour operators remain adamant that there will be no repetition of last summer's panic to shift holidays at any price — even if some judi-cious discounts for less popular flights and destinations (espe-cially Greece) are now being offered by travel agents.

Roger Heape, Managing
Director of Intasun, the UK's

second largest tour operator, believes that the poor summer weather at home will benefit tour operators as consumer seek last-minute sunshine holi-days. "We don't think the adverse publicity about airport delays will discourage people," he says.

But others think differently. "The tour operators will have to be very confident of the to be very confident of the strength of demand in the next few weeks if they are going to avoid heavy discounts," points out Richard Gapper, managing director of Pickfords Travel. More pressing for the tour operators are the financial implications of the contract

implications of the airport delays. Traditionally, weak margins from tour operating have been offset by strong profits from the charter airlines with which the tour oper ators are linked. For example Thomson's charter airline Britannia increased its profits from £34.4m in 1986 to £37m in 1987 - at the same time as tour operating profits were slumping. This year the airport delays have already cost Thom-

son over £1m in extra costs.
"A few more weeks like that will certainly knock a large hole in Thomson's overall prof-itability from the travel business," points out Nigel Reed, a leisure analyst with stockbro-kers Kitcat & Aitken.

At the heart of the problem facing tour operators is the fierce competition of the 1980s which has kept holiday price increases well below the the general inflation level. In Continental Europe, where competition for packaged holidays is less fierce, prices and profit margins are much higher.

A two-week holiday in June this year at the Hotel Playa de Palma Sol in Majorca was sold by Intasun for 2304 per person.
The same holiday sold by the
West German tour operator
Neckermann Reisen cost nearly a third more at £401. The inevitable consequence

of this summer's pressures on tour operators will be for some of the weaker companies to go to the wall and for the larger operators to increase their stranglehold on the market. In 1984, the big three operators - Thomson, Intasun, and Horizon - had some 35 per cent share of the market

between them. By the begin-ning of this summer that share had increased to 65 per cent. There is already speculation that smaller operators will be absorbed by the larger - as well as rumours that Horizon,

bought by the Bass brewing group last year, may already be up for sale. Yet while the overseas pack-age tour operators have been having a rough time of it this year, domestic tourism has been enjoying an unexpected buoyancy of demand in spite of the wet weather. "English tourism is in for a very good season this year," reports Malcolm Wood, the English Tourist Board's director of marketing.
"Airport delays make it so much more attractive for Britons to holiday at home."

British fiscal policy

How savings statistics were mismeasured

By Steven Bell

NDERLYING the headlines row between Mrs Margaret Thatcher, the British Prime Minister and Mr Nigel Lawson, her Chancellor, is a major budget forecasting

Just a few weeks ago, Mr Lawson was pouring scorn on those who warned of overheating. He has now effectively admitted that it was a problem. It is now generally accepted in the City that his Budget was too expansionary (notwith-standing the PSBR surplus) and monetary policy too lax following sterling's uncapping. Professor Sir Alan Walters has argued that the present

overheating is the consequence of heavy official intervention to hold sterling down against the D-Mark. Samuel Brittan, in his FT column has argued more cogently that the over-heating is a consequence of allowing the previous fall against the D-Mark. Of course, everyone can make mistakes, even Mr Lawson, whose past forecasting record is excellent. However, a good case can be made for pinning the blame largely on the mismeasurement of a single economic variable, the personal sector saving ratio, which in turn is a victim of one of the "black holes" in the UK national accounts. Official figures show the sav-

ing ratio - the fraction of personal income that is not con-sumed - falling dramatically from a peak of 13 per cent in 1980 to 7 per cent in 1986 and 5.4 per cent last year.

A falling saving ratio means that consumer spending is increasing faster than income. The fall in saving in the early 1980s was the predictable (and predicted) result of declining inflation. The more recent fall was not predicted by any of the major forecasting institutions including the Treasury. Most economists have fallen back on ad hoc explanations.

Faced with the picture of an overstretched consumer, the Treasury's economists, along with other forecasters, con-cluded that consumers would rein in their spending this year in order to rebuild their savings. Slower consumer demand would keep the balance of payments deficit down, ease overheating pressures and avert an inflationary problem.

not happened. Consumer spending remains buoyant and is set to rise in volume terms by 6 per cent this year, half as fast again as the Budget forecast. I would argue that this is because savings have not fallen as the official figures

suggest. The Central Statistical Office (CSO) measures savings as the difference between measured consumer spending and mea-sured post-tax income. It is the residual between two large aggregates. An alternative method is to measure the increase in net assets acquired by the personal sector. This direct measure of saving has

Mr Lawson's tax cuts represented a reasonable risk in the light of the analysis underlying the budget

always been above the CSO's residual measure (by one or two percentage points) but the difference until recently has been stable. Both measures fell in the 1980s, but in the last five years the direct measure has shown only a gentle downward trend, very much in line with expectations. Last year the directly measured saving ratio was 11.7 per cent, compared with the official calculation

that it was 5.4 per cent.

The gap between the two figures appears as a balancing item in the personal sector accounts. This "black hole" reached £20bn last year and has grown by 37 per cent a year on average over the last five years. The CSO implicitly assumes that the balancing item reflects errors in the financial data, and accepts the validity of the income data. The direct measure of saving accepts the financial data as correct and allocates the balancing item to unrecorded

By using the official measures, the Treasury forecasters at Morgan Grenfell

projected an underestimate of income into the future and assumed that consumer spendmore slowly. The direct measure pointed to higher income growth and faster consumer spending. On this basis, the risks of overheating were obvi-ous months ago, making the Chancellor's Budget "prudent but not prudent enough".

The evidence for preferring the direct measure of saving to the official methodology overwhelming. For the CSO approach to be correct, the estimates of people's take up of financial assets in 1987 would have to have been in error by £20bn. This could be attri-buted to a uniform underestibuted to a uniform underesti-mate of the take up of liabili-ties and overestimate of asset purchases but only if the error were 25%. This is wildly improbable. By this process of reductio ad absurdam the offi-cial measure of saving can be discredited beyond all doubt.

By contrast, assuming that the direct measure of saving is correct implies a plausible error in measuring income of 7% for 1987 and a smaller percentage in earlier years. This is well within the CSO's own estimate of the measurement error on income of 3 per cent to 10 per cent. Econometric and other evidence also favour the direct measure of saving (interestingly, though, it seems that the CS0's method worked better before 1980).

The Chancellor's tax cuts represented a reasonable risk in the light of the economic analysis underlying the budget. But that analysis was critically dependent on flawed economic data and the risks involved must be a cause for real concern.

With fiscal policy in place for this year, Mr. Lawson has had to respond to overheating pressures with higher interest rates. This policy may be successful via a major slowdown in the housing market. But the timing of this is highly uncertain and overheating is always more difficult to cure once it has become entrenched. It is time that the nation's eco-nomic statistics were improved so that once again they form a reliable basis for analysis and policy making.

The author is chief economist

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Property tax methods compared

om Mr W. Cortinn Rhodes

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Sir, Taxation of property in inflated values, has no relation

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vner who is further pro of the true value of the total cled by so-called "repairing property value which could asses" requiring maintenance easily be as much as 1000 times no expense to the owner. The present base in addition, our an owner can hold a at present the central governoperty indefinitely without from supplies half of the curring cost or encumbrance passent rates by a rate supplied by ensuring that no tax paid indirectly by the taxpayer. Is vied on property which is Consequently, it taxes were it occupied an owner can period on the market value of

In the states of the US, "rates" have always been far removed from the Federal government. They are levied on the market value of a property, and revalued every five years. and revalued every five years. There is no differentiation between domestic use and business use, and the state offers no subsidies or grants of any kind. In fact, in some states, a portion of the tax is paid to the state for services such as education. such as education. The most immediate effect of

taxing property at market value in the UK would be to stop the astronomical rise of property prices far beyond any reasonable level, now far Prince of Wales Drive, SW11

sequent effect would be to lower these prices to levels more consistent with their true value. And because tax would then by paid by renters indi-rectly, there would be a powerful incentive to keep property occupied at all times, and not lapse into a state of disrepair.

To advocate such an heretical notion is probably akin to treason, but it is the only equitable mathed of experiments. table method of supporting local government, which is then free to administer its budget to suit its own peculiar requirements. W. Cortlyn Rhodes,

beyond their real "value."

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LondonClear may have had on the market.

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A future less grim than it has been painted

om Mr Trevor J. Thomson.

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Jerentials between Britain ficient condition is that there is Germany (Economic View abould be an expected real inf. July 28) is seriously in depreciation of sterling against the Deutsche Mark.

For some time, prospective discussions of some time, prospective discussions of the Deutsche Mark.

In this perspective, this year's sterling appropriate of many in an overage which has so dismarged for many it is therefore appropriate that real interest rates out that real interest rates out the bigher in Britaid manner.

Moreover, it will switch

on in Germany.

Moreover, it will switch demand away from (currently) that capital controls are a strained domestic output, thus-

inflation. If sterling's rise had come earlier, as Mrs Thatcher wanted, the inflationary risk could have been reduced fur-

centre has over 350 members, with \$45bn of physical securi-ties in custody, and an average daily transaction value of \$6bn.

While initially targeted at

eurodollar-based securities, our business has grown rapidly to include a broad range of ster-

The future real depreciation of sterling will be accompanied by falling real interest rates in Britain as the investment boom gradually reduces the excess return on capital. That real depreciation might involve either a nominal depreciation or a rate of inflation lower in Britain than in Germany.
But Mr Britan would have

prices to that of Germany. Were his prescription to be fol-lowed, the Thatcher revolution could not bear fruit in a sus-tainably higher level of output in the future; instead, Britain would be locked into the growth and investment performance of the country referred to in your editorial of July 27 as the "sick man of Europe". B.L. Connolly, Rue Major Petillon 4, 1040 Brussels,

Divided we stand

From Mr Christopher Toop. Sir, Congratulations on your new format. It is good to see that you have acknowledged the rise of the "Dinky" ("dual-income-no-kids-yet") by mak-

ing it so easy to share the FT on the train into town Christopher Y. Toop. 10 Marksbury Avenue, Kew Gardens,

Janet Bush on Wall Street

Historical hint of fall after polls

WHAT CAN history tell us about how the financial markets will greet the election of either Michael Dukakis or George Bush in November?

There is every sign that the Treasury and the Federal Reserve Board - not to men-tion their opposite numbers in: London, Tokyo, Bonn and Frankfurt - are going to do their upmost to keep markets stearing a steady and decidedly unexciting course until November. But what about after

Looking at the performance of the stock market in the first year after the 15 presidential elections since 1928, the Democrats clearly come out winners They have won eight elec-tions since 1928. After five of them, the Dow Jones Industrial Average rallied. It fell after six out of seven Republican victo-

That does not necessarily mean the stock market prefers Democrats. It reflects instead the policies normally pursued by the different parties.

Mr Neal Soss, chief economist of First Boston, points out that gross national product growth shows a distinct ten-dency to accelerate in the second year of a Democratic presidency, which normally errs towards the expansive. This is in sharp contrast to the recessions that have typically occurred during the second years of Republican Administrations, which are normally characterised by slower growth and lower inflation.

In the past 35 years, the Standard & Poor's 500 has greeted Democratic presidents with an average price rise of 7.8 per cent in the first year only to become severely allergic to Democrats' second-year booms (and related inflation)." The first two years of Demo-cratic rule have averaged pal-try price rises of 1.7 per cent

In the case of Republican presidencies, the stock market has gone up by an average of 3 per cent in the first year and up by about 1 per cent in the second year, also giving an average of 1.7 per cent.

The current conventional wisdom in the US press about the two candidates is that both tell them apart and stock market history anyway suggests that it does not really make much difference whether a Democrat or a Republican is

There is, however, a more fundamental reason than per-sonality which may make Bush and Dukakis policies similar after the election.

Simply put, President Ronald Reagan has behaved more like a Democrat than a Republican as far as the economy is concerned. For that reason, Dukakis, if elected, may be forced into behaving more like a Republican than a Democrat.
The statistics of stock market post-election performances this century gives a hint of this. The only time the market rose in the wake of a Republican victory was in 1985, the year after President Reagan won his second term of office. In the case of every other Republican president, there has been a recession in the sec-ond year of office but President Reagan got his recession out of the way early in 1960 and 1981

and has managed to avoid one ever since. Mr David Hale, chief economist at Kemper Financial Services, says that since the Second World War there has been a close coincidence in the political and business cycles but that President Reagan's term in office has changed the pat-tern. "Reagan warped and distorted the business cycle," he

says.
This poses a formidable dilemma for President Dukakis, who may become the first Democrat ever to take his seat in the Oval Office at the top of a business cycle. Mr Richard Hoey, chief econ-

omist at Drexel Burnham Lambert, says that either man faces an unenviable lack of flexibility in terms of cyclical policy. President Bush may be slightly the more likely of the two to go for a tough anti-infla-tionary drive and trigger a recession early in this term. President Dukakis may try to act like a Democrat and postpone the inevitable recession, which Mr Hoey predicts will start at the beginning of

It could be, however, that Mr Dukakis could decide to go the

Republican route. If both a Bush presidency and a Dukakis presidency is Republican by nature, history suggests that the equity market has to fall next year. So forget your pre-election doldrums — now may be the last chance to make some money

LIONEL BARBER on the plans of the Treasury Secretary and his successor

Baker launches Bush on a confident wave

VICE-PRESIDENT George Bush will use peace and pros-perity as the twin pillars of his attempt to win the November presidential election, Mr James Baker, his newly appointed campaign chairman and the US Treasury Secretary, said yes-

In spite of opinion polls showing Mr Bush trailing by up to 17 points behind his Democratic rival, Governor Michael Dukakis of Massachustki. setts, Mr Baker denied that the Bush campaign was in trouble and said the election battle had

only just begun.

The launch pad for a Bush comeback will come in New Orieans next week when the Republican Party endorses the Vice-President as its presiden-tial candidate. At that point, Mr Baker - who announced his resignation as Treasury Secretary last Friday – will officially assume charge of the Bush campaign.

In a TV interview yesterday previewing the Republican and Congressman Jack Kemp of New York.

Mr Baker, who ran Mr election was one of two very different futures.

"The American people need to reflect upon whether they want a future which will build upon the peace and the pros-perity which we have seen over the past two terms of this Administration or whether they want to run the risk of losing that peace and that pros-

"That's the real issue in this election and that's the choice that Vice-President George Bush will put to the American people." he added, playing down the significance of a run-ning-mate on the Republican

Mr Bush will not make his choice of running-mate before the end of the convention, but the front-runners appear to be

Mr Baker, who ran Mr Bush's failed presidential cam-paign in 1980 but who won a reputation as a master strate-gist as President Reagan's White House chief of staff and then Treasury Secretary, admitted that recent opinion polls were not encouraging. The Vice-President's problems with women voters were "real" and he was still suffering from high negative ratings, he con-

Mr Baker said the Vice-President would counter by taking increasingly independent stands from the administration as shown by his recent calls for more money for child care, AIDS research and education. That will continue to an even greater extent coming out of the convention."

convention." sury Secretary.

New York Times/CBS Editorial common

opinion poll published yester-day showed that the Democratic party was recapturing the crucial middle ground of American politics, with many middle-class voters being wood on issues such as educa-tion and dealing with the Fed-eral budget deficit.

Mr Baker said Mr Bush

woold stick to his pledge not to raise taxes and he defended proposals for a "flexible freeze" on spending. He argued that a selective freeze on some areas of government spending would of government spending would permit other Bush programmes to go ahead. The budget deficit was falling more rapidly than anticipated because of spend-ing increases already in place. President Resgan has nomi-nated Mr Nicholas Brady, a

Wall Street financier and chair-man of a White House study on the stock market crash, as Mr Baker's replacement as Trea-

Brady's eyes may be fixed on future prize

Wall Street financier nomi-Baker as US Treasury Secre-tary, will assume a caretaker role in the final five months of Mr Ronald Reagan's presi-

robust health and the financial markets relatively stable, Mr Brady, best known for chairing the White House committee into last October's stock market crash, is unlikely to be called upon for any major new

economic initiatives.

However his eyes may be on a future prize: if Vice-President George Bush, his friend, wins the November election, Mr Brady would be the front-run-ner for the Treasury job in a

ner for the Treasury job in a Bush Administration.

A lanky 58-year-old who was educated at Havard and 'Yale, Mr Brady has spent most of his life on Wall Street. He is currently co-chairman of Dillon, Read & Co, the New York investment bank built up by his father whose investment partners included the Rockefellers, Du Ponts, and Mellons. In recent years, he has built In recent years, he has built up plenty of Washington expe-rience, having served on several presidential task forces during the Reagan Administration. He also earned a rare appointment to the US Senate in 1982 to fill the final six ponths of the term of Senator Harrison Williams of New Jersey, a Democrat convicted of political corruption.

Mr Brady's report into the stock market crash won wide-



Nicholas Brady waves as he leaves the White House on Saturday after being nominated to replace James Baker as US Treasury Secretary

spread praise on Wall Street and in Congress. His main con-clusion was that the stocks, options and futures markets had become so closely integrated that they require super-vision by an intermarket agency, with the Federal Reserve the most likely choice

to assume the lead role. Some were surprised at the far-reaching reform proposals. The White House, under pressure from free-market advocates, distanced itself from the report. A second committee, shelved the Brady commission's proposals and gave the markets largely a clean bill of health.

tility such as halting trading in the event of excessive gyrations in the markets, have won acceptance. "Brady shaped the debate on post-Crash reform," said one Congressional sup-porter last week. Some would go even further,

mendations for reducing vola

Last February, during one of his numerous appearances to testify on Capitol Hill, Mr Brady took on the leading Republican, free-marketeer Senator Phil Gramm of Texas. who had vigorously opposed regulatory intervention. "He looked him straight in the eye, set out his arguments, and just blew him away," recalls a senior staffer on the Senate Banking Committee.

of Mr Alan Greenspan, the chairman of the Federal Reserve, will probably count as far more influential.

In short, his brief stint at Treasury will be a chance to try out the levers of power. Whether he gets the chance to really settle in depends as much as anything on the rees-tablished partnership of Mr Bush and Mr Baker who chairman at the end of the New Orleans Republican con

Lionel Barber

Mr Brady will not have too many such opportunities for cut-and-thrust debate because

Fund and World Bank, to be held in Berlin this year.

A potential source of con-cern is the US Savings and

he is expected to win easy confirmation as Treasury Secretary in the US Senate. He could fairly calculate to be in his job by the middle of September, in time for the annual meeting of the International Monetary

On the domestic stage, Mr Brady's main task will be to keep the credit and foreign exchange markets calm — although the words and actions

Loans Industry, particularly in Texas. Some 1,500 banks are on the watch-list of the Federal Deposit Insurance Corporation and more than 200 are expected to go under this year. Mr Brady will probably rely on the expertise of Mr George Gould, his Under-Secretary, in this

vention next week.

Britain's motorways, by build-ing a bridge across the river Thames, is relatively small beer when compared with the £6bn Eurotunnel project. Nev-ertheless, it is the first time

Leaving oil to the professionals

Trafaiger House

1985 86 87 88

this century that a major road scheme in the UK has been pri-

vately financed. At least in terms of its financing, it is a much more interesting project than Eurotunnel, the sheer size

of which has overshadowed the fact that it is fairly conventionally financed, albeit with a rather aggressive level of gear-

to privatise a public sector monopoly without allowing the private sector to reap windfall profits. Dartford River Cross-

profits. Dartford River Crossing (DRC) — the private company set up to operate the two existing tunnels and construct the new bridge — will disappear, and operational control will return to the Government, just as soon as enough tolls have been collected to repay the borrowings. Given that tolls are only allowed to rise in line with the retail price index.

line with the retail price index, total borrowings are strictly

total borrowings are strictly limited, and any profits of the operating company go to accelerating the debt repayments, the project's owners — Trafalgar House, Kleinwort Benson, Prudential and Bank of América — are clearly never going to make a killing, and at worst stand to lose a lot of money.

The second novelty is that it has proved that there is a healthy appetite amongst some financial institutions for providing substantial sums of long-term fixed rate money on

long-term fixed rate money on terms which would have been

unfirmbable a few years ago. DRC will have maximum borrowings of £169m and £1,000 of

tional weapon for protecting their interests - threatening

to force a borrower into default

since the operations would revert to the Government. The

lenders are providing effective equity capital, and whilst the shareholders are an impressive

bunch, at the end of the day

The second of th

is worthless in this instance,

The flirtation of British industrial and commercial companies with the North Sea is over ICI, RTZ, Associated Newspapers, Pearson and now Trafalgar House have all decided to retreat from a busi-ness that has involved unexpected losses and big demands for cash. The market is in no for cash. The market is in no doubt that the affair is better ended: last week's announcement from Trafalgar was worth 5 per cent on the share price, while Associated Newspapers and Pearson are judged to be worth some 10 per cent more without their cill accepts. more without their oil assets. In part this is a reflection of the astounding prices that North Sea reserves now com-mand. While most of the out-siders piled into oil at the top, siders pfled into off at the ton, the timing of their exit looks considerably better judged. The oil majors need reserves, and the North Sea is still the most popular place to buy them; and even though Trafalgar will not get anywhere near the market's hopes of £200m, it should nevertheless get out at a price that does its earnings no harm.

no harm. The mass defection from the North Sea is not just opportun-ist, but is sound strategically. The market has consistently undervalued oil assets that are undervalued oil assets that are hidden in a larger group, as the break up of IC Gas last year demonstrated. Exploration companies do not generate much in terms of profit; so any earnings valuation will understate their worth; while the value of the assets is not reflected in the balance sheet and is highly subjective any-

way.

The disposals also accord with the new fashion for com-panies that stick to their core businesses. While Trafalgar House doggedly maintained until last week that oil was a core business, its position was becoming increasingly untena-ble. Economies of scale in the industry are getting more important, and being a small player no longer makes sense. Meanwhile, the oil industry may have as little cause to moun the corporate exodus as the companies' shareholders: rather than contributing to the search for oil, the professionals might argue, they merely pro-vided an additional complication in what is already an

Dartford bridge

The £200m plan to solve one of the worst bottleknecks on

the only security is the £25m per annum cash flow from the project; and there is always an outside chance that this will be insufficient to repay the bol-rowings in the 20 year life of

the concession.

Admittedly, the risks for Dartford's financiers are nowhere near as daunting as is the case with Eurotunnel. The more than fivefold increase in traffic since the first Dartford
Tunnel was built 25 years ago,
and the long traffic jams every
day on the M25, are much more
reassuring than the theoretical reassuring than the theoretical traffic forecasts of Eurotunnel's planners. Whereas Eurotunnel's cash flow projections can be discupted by the unpredictable response of rival festy and airline operators, Dartford's only real rival is the East London River crossing and its construction hat a leasedy been delayed. Trafaland its construction national already been delayed. Trafalgar House has agreed to build the Dartford bridge for a fixed pice of £86m and has fully accepted any construction risks, so the only real dangers are a dramatic fall in traffic, or the character which The Dartford project financing has broken new ground in several areas. First, and probably the most important point, it has proved that it is possible

are a dramatic fall in traffic, or a sharp drop in inflation which might mean that future reve-nues are insufficient to cover interest charges.

Given the strength of their project, the fish are probably worth taking eyen though there is no equity cushion. The banks providing the 285m 12, year floating rate ican are carring a reasonable return but probably less than they but probably less than they would if they were leading or a speculative property development like the Broadgate office development in the City. Mean while, the £64m of fixed rate debt is believed to have been priced at between 300 and 402 basis points over the comparable gift. This compares with 150 point margin on a top quadity debenture and could look very attractive if interest rately for the life of the loans.

For Trafalgar House the

won an important contract which will provide its Clevewhich will provide its Cieve-land Bridge and Cementation a businesses with work for a cou-ple of years and there is a cer-tain kudes attached to having put together the first major pri-vatised intrastructure contract in the UK. However, the risk of a fixed price contract should not be understimated, espenot be understimated, especially since constr are currently rising twice as fast as inflation. One of the main reasons Trafalgar w the deal was because it did not insist on a handsome management fee for running the Dart ford concession after it had built the bridge, and this is something that it may live to

UK may restructure £200bn national debt

By Simon Holberton, Economics Staff, in London

A MOVE to restructure of the national debt. This has been made possible because the Government no longer has to borrow from the private secthe Government to redeem early \$2.5bn of the UK's exter-

nal borrowings.
It may also be the beginning of more active day-to-day management by the Bank of England of that segment of the national debt which is traded in the gilt-edged securities market. This debt has a nominal value of more than £135bn. The Bank and the Treasury are, for the first time since the beginning of Second World War, now in a position to consider changes to the structure

Continued from Page 1

erating militarily.

Hun Sen," declared Prince Sihanouk. "There is in fact co-operation between us. It is not

just a truce. We are now co-op-

He asserted that more and

more units were joining his forces fighting the Vietnamese

occupation and that next year he would have more than

30,000 men "fully equipped with US weapons."

Pressed on whether the US had already made a commitment to supply weaponry. Prince Sihanouk said he could disclose nothing because of the

wishes of the US Administra-

tion. But he added that with

tor to finance its public spend-

Sihanouk for talks in West

It is likely that this year that the size of the national debt will actually contract. Fore-casts for future years are clouded with uncertainties, but

it is generally agreed by economists that over the short- to medium-term the Govern-ment's budgetary decisions, will be broadly neutral for the national debt. This means that the debt

will probably not grow in nom-inal terms and may even con-

his 30,000 men and the 40,000

ms 30,000 men and the 40,000 under the command of the Hun Sen regime, they would together be sufficient to cope with the 40,000 controlled by the Khmer Rouge.

Prince Sihanouk would not directly criticise China, which such the Khmer Box Share Single China, which were Box Share Shar

sustains the Khmer Rouge. But he revealed his intention of eventually declaring the Khmer Rouge an illegal organi-sation, at which point he believed their sponsors would have to re-examine their stand.

Despite the hectic pace of her tour through the Middle East, South East Asia, and

Australia, the Prime Minister

showed no signs of flagging as

she toured the camp.

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WORLD WEATHER

tinue to contract slightly. Officials said that they are just. beginning to come to terms with this outlook but that discussions on the possibility for managing the national debt are

only in early stages.
Such a move is likely to be welcomed by the 23 glit-edged securities market makers because any decision to change the structure of the national debt would involve the Bank making large repurchases of stock and re-issuing it in a different form.

The market makers would have a significant role in the intermediation of this restructuring which would mean that the Bank bought in high-cost debt and replaced it with lower-costing stock.

At the end of March 1987, the period for which detailed fig-ures are available, Britain's total national debt, both for-eign and domestic, was £185.7bn. Since that time it has grown by at least £15bn.

The biggest slice of the national debt is accounted for by gilt-edged securities. At the end of March last year total demestic straight and the securities of the securities o domestic sterling debt of 2162.3bn included 2126.8bn in the form of gilt-edged securi-

UK Gilts, Page 15

Gulf bank ready for Soviet joint ventures

By John Lloyd in Moscow

A BANK in the Gulf states has said it is prepared to finance joint ventures within the Soviet Union. This is a further indication of closer ties between the USSR and the

Guif.

Last week, Qatar became the fourth Gulf state to open relations with the Soviet Union. Sheikh Suroor bin Sultan Al Dhaheri, chairman of the board of the Abu Dhabi Commercial Bank, one of the biggest in the United Arab Emirates, said at the weekend the bank would consider fresh credits for the USSR. The bank advanced a relatively modest loan of \$50m in Annil.

Bank of Foreign Affairs, also proposed the opening of an air route between Abu Dhabi and Samarkand, a city in a Mos area of Soviet Asia. He said: "We heard rumours of the oppressed position of Moslems in the USSR, but we are convinced these are not in keeping with reality. Islamic monu-ments in Central Asia impress one with their grandeur, and we would like our people to see

The Soviet Union was seen in the Gulf states as a "reliable borrower." he said. An association to promote commercial links with foreign countries has been set up at Vladivostok, in the Soviet far east, according to Tass.

Breakthrough in Gulf peace talks

Continued from Page 1

Sheikh Al Dhaheri, visiting

view published yesterday that foreign navies would leave the Gulf once the war was over. However, a US Pentagon spokesman, Lt-Col Alan Frietag, who described the Iranian move as "very encouraging," said the 27-ship US naval task force protecting shipping in the Gulf would be reduced only

when the threat had been removed. Once a ceasefire halted the fighting, "then the number of ships would go snips would go down...There will probably always be a presence in the Gulf. When the threat is reduced, so our presence will be," he said.

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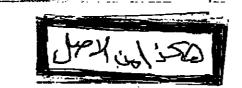
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The chemistry of an Italian marriage



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A CONTRACTOR

Company of Sec

t has been dubbed by Mr Franco Reviglio, president of Eni, the Italian state energy group, as "the biggest industrial policy operation ever carried out in Italy." On Friday the long-awaited chemicals joint venture between Enichem and Montedison gained government approval. John Wyles in Rome looks at prospects

for the project between public and private sectors, finalised after two-and-a-half years of often faltering discussions. Page 20.

Leisurely lands of opportunity The highly-fragmented and fast-growing leisure sector presents one of the few great opportuni-ties left for business development in Europe, argues Mr Michael Ward, the man who as executive chairman of European Leisure has led the recent acquisition of London's Camden

Palace discotheque and Tito's Palace in Palma

Big wheels turn to car rental



Following in the tyre tracks of rivals Ford and Volvo. General Motors looks set to enter the multibil-lion-dollar US car rental industry, with the announcement that it is negotiating to buy "a substantial National Car Rental

as part of a reorganisation of the ownership of America's third largest vehicle hire company.

Eurobonds summer in the Med

The Mediterranean has not just been attracting the holidaymakers this summer. In what is normally their quietest period, bankers in the international loans market have several financings under way for countries in that region.

Market Statistics

Foreign exchanges

BCE Holdings Cepsa Coffr Dornier Enichem

Financial Corp of Am General Motors Harrisons/Crosfield Holders Technology Montedison National Car Rental SAC International Toronto Sun Pub

UK food market values 1987 22.5tm

Bitter-sweet confection for the City to swallow

Christopher Parkes, Consumer Industries Editor, examines reactions to United Biscuit's purchase of Callard & Bowser

Assorted spooks appeared in droves in trade advertisements ushering in Nerds, a new US sugar confection, warning retailers to order supplies shar-pish..."or your customers could turn ugly."

City spectres were there, too, with an ugly welcome for another US confectionery import: Callard & Bowser, bought by UB for £26m (\$44.2m) from among the remnants of Beatrice Foods. Purchased at a multiple of 83

times last year's earnings, one broker denounced the deal as another example of UB's inability to sort out what is in the shareholders' interest and what is in the interests of UB's man-Taking a wider view, the pur-

chase was seen in another com-pany as needlessly stoking price inflation in the UK food process ing sector and raising expectations of lavish deals for other confectionery businesses cur-rently on the auctioneer's block. UB is believed to have paid 56m more than the next highest offer for Callard & Bowser. Already Barker & Dobson, the

humbugs and toffee vehicle used by Mr John Fletcher to launch himself back into retailing, is £40m. There are also signs that Hanson, the industrial conglomerate, is dressing up for sale its Famous Names subsidiary. There is plenty more to go at. with some hundreds of mostly

tiny companies competing for a share of the 1990m UK sugar con-fectionery market. In the £2bn-plus chocolate sector, by con-trast, four companies account for

The pattern is similar in other countries, but it is changing.

With the chocolate trade closed

what could they do?

maturities.

HE SWEETSHOP ghouls to all but highly specialised competitors, corporate attention is moving to sugar. Rowntree, for example, has elected to concenmoving to sugar. Rowntree, for example, has elected to concen-trate on building its North American confectionery business on the sugar products of Sunmark — which include Nerds.

However, industry concentra-tion on a scale to compare with that in chocolate will be a long time coming. Local flavour, texture and price preferences are strong, as are the local and regional franchises of the many

small companies involved.

UB is credited with having coped well in the chocolate trade. Its Terry's subsidiary has pros-pered, according to Mr Les Pugh of brokers Salomon Brothers, thanks to its astute exploitation of the retailers' own-label market so resolutely scorned by the branded majors. But he has grave doubts about the wisdom of UB's spending part of the receipts from its distress sale of Speciality Brands in the US on a sweets business "with dubious growth prospects."

Doubts spring from the strong position in UK sugar confection-ery already taken by chocolate giants Mars and Rowntree and the private company Trebor. Since Sir Hector Laing, UB

chairman, has said repeatedly that he aims to be number one or two in every area of operations, Mr Eric Nicoli, managing director of the UB Brands division which lumps Terry's in with the group biscuit business, has a long way to go. He could quickly build a £200m confectionery business by adding Barker & Dobson and Famous Names to Terry's, but the price would probably be prohibitive after the events of last

In any case, Mr Nicoli declared, he had no interest in and no intention of bidding for Barker & Dobson. Nor did he believe the sugar confectionery industry was capable of being restructured to

match the concentration in chocolate. Those seeking a rationale for UB's new venture should look for the synergies, he said.

● The US deal gave the group three 200-year-old high quality brands to match the calibre of Terry's: Callard & Bowser, Nuttall's and Smith and Kendon. With half the new company's sales going for export, the pur-chase opened international opportunities for Terry's.

 Terry's could repay the com-pliment-to the incoming brands in the UK market by distributing them through its established sales network.

 The acquisition would also balance existing operations by evening out some of the seasonal irregularities which are part of running a chocolate company in a market dominated by Easter and Christmas, Mr Nicoli said.

He also made it plain that City ogres held no fears for him. He pointed out that the £12m consideration for goodwill in the deal had bought him three solid hrands for £4m apiece — not such a bad price in today's environment. And he scoffed at the shrieks of horror roused by the apparently extravagant multiple paid.

The measures applied to billion dollar deals were not pertinent to small acquisitions, he said. If UB. had paid film on a multiple of 100 the City would have said it claimed. He and other buyers were still shopping around for quality acquisitions and he fore-cast: "We might see one or two small confectionery companies going at multiples of a similar level."

More UB purchases are likely. "We could not grow to the size to which we aspire by organic growth alone...we now have about 4 per cent of the total confectionery market, and that gives us plenty to go at."

Smiling technocrat claims seat with budgetary angels

John Wyles looks at Giuliano Amato's year at the Italian Treasury

r Gjuliano Amato has been Italian Treasury Minister for just over a year and many at home and r Giuliano Amato has abroad have come to appreciate his technocratic intelligence, coolness under fire and patient humour.

Circumstances being what they are, he can allow himself only one priority, and his toothy smile has beamed out alongside count-less headlines explaining that the less headlines explaining that the nation's overriding purpose must be to reduce the annual public sector deficit and to bring galloping public debt back under control.

Yet arguably, and some do argue this, Mr Amato is a failure.

Once installed at the Treasury in mid-July, he brandished barely a scalpel to a 1987 deficit skidding L10,000bn (\$7.2bn) wide of its tar-

He had to produce two draft budgets for 1988 because the first was too lacking in the obviously-needed austerity. He was forced in May to bring in a mid-year package which will recoup only L7,000bn of the staggering L18,500bn by which the deficit would otherwise have exceeded last autumn's target. He has also failed, meanwhile,

to achieve the lower interest rates with which he was hoping to trim some of the cost of debt servicing.

achievement, it is hardly surpris-ing to see the Treasury running into financing problems

The mountain of public debt is as likely as not to soar above the nation's total annual gross domestic product next year and investors are keeping their money on a short string.

offering of medium-term bonds designed to lengthen the maturity of the Treasury's debt. This has left the Italian bank-

ing system dangerously liquid and put monetary targets under some pressure. Add in warnings from independent forecasters that domestic inflation may rise from an annual rate of about 4.7 per cent to 5.7 per cent next year and you have a modesty of per-formance which might, elsewhere, prompt the prudent preparation of a political obituary. But there is nowhere else quite

approximate success the G7 balancing the Italian current spending net of debt interest payhas in co-ordinating policies and ments with revenues by 1991-92. that of the Italian government and parliament.

Individual Italian Ministers, he wrote, feel little in the way of collective solidarity. They form part, instead, of a triangular imperative whose other two sides are the "client" parliamentary

The Parliament has too many

delegated powers and party disci-pline among the dominant Chris-

tian Democrats is too weak to

guarantee the government's line. Thus, Mr Amato's 1988 budget

emerged from the Parliamentary

process as an extravagant parody

of the original.

The problem is compounded by

political rivalries within the

Mr Amato is a Socialist who

can sit comfortably on the side of

the budgetary angels because a new discipline should damage

Christian Democrat powers of

patronage much more severely

Finance Minister, is a Christian Democrat who has built a tower-

ing political position in his native

Basilicata by affording the region

a steady hosing of public money. Although Mr Colombo is now try-

ing to bite the bullet, taking some back in the form of higher

taxes challenges the habits of a

Mr Amato's regular lectures on

the structural obstacles to bud-

getary reform are entertaining and to the point. But they are no

great help in convincing financial

markets that the government is

truly able to carry through its enormously desirable plan for

Mr Emilio Colombo, the

coalition.

lifetime.

than his party's.

committee and organised interest groups.

Giuliano Amato: First budget lacked needed austerity "The government decides one thing about a brigadier's career but the competent minister, with

this or that undersecretary, goes into the defence committee and decides the opposite."

By which he means that parlia-After such towering nonmentary majorities give an Italian coalition government little assurance of imposing its will.

In the two most recent issues, the market would have only casual truck with Mr Amato's

like Italy, and Mr Amato is out-raged to be held even partially responsible for this less than glorious passage in the nation's eco-nomic policy-making.

The fault, he says, lies not in

the policies of government but in the Italian system's failure to adopt them in their pure form and to administer them efficiently.

Recently, he drew a revealing

parallel between the somewhat

The Treasury Minister rightly believes that reforming the political institutions and parliamentary practices is an essential par-allel objective without which public finances cannot be trans-.formed.

But if, in their handling of the 1989 budget in the autumn, those who populate the institutions still prefer to shower public money rather than save it, it is not unreasonable for the markets to fear that they will be similarly Augustinian about political reform, favouring a more effi-

cient political set-up, but not yet. And if the markets steadily lose all belief that the political system is capable of capping the public debt, what then will happen? Since there is no real historical precedent for a government continuing to pile up debt on the back of a peacetime economy reg-istering relatively respectable annual growth rates, prediction

But risk premiums would probably raise the cost of new bond issues and the term structure of interest rates would tilt even more sharply in the direction of brevity. The cost of the debt would increase and the problem become even more intractable.

In a situation of growing financial instability and, perhaps, political turmoil, the main obsta-cles to an Italian government then succumbing to the temptation to monetise some of the debt through inflation would be the absence of capital controls (scheduled to disappear in 1990 under European Community agreement) and the exchange rate disciplines of the European Monetary System. Would Italy then return to controls and leave

The possibility that there may be no other options undoubtedly haunts the economic thinkers in the political establishment.

It has clearly been taken on board by Mr Ciriaco De Mita who, in his first parliamentary speech as Prime Minister in April, starkly identified the debt problem as a threat to Italy's con-tinued political and financial attachment to the process of European integration.

This autumn when a new and.

we are promised, more austerely streamlined budget for 1989 takes wing we shall see more clearly how many of his parliamentary colleagues in the Christian Demo-cratic Party have begun to see the abyss lying ahead. Will they, can they, find the will to take avoiding action? Or will only the panic of a full-blown financial crisis wrench them away from the customs and practices of 40

UK GILTS

Dream time for debt managers INFLATION FEARS and the UK Producer Prices

WHILE THE gilt-edged securities market is currently engaging in the depressing business of wondering if it has a future, an important event took place last week which the market largely ignored.

The Government decided to redeem early a \$2.50n foreign loan and announced its intention to create a market for short-term official debt denomnated in European Currency

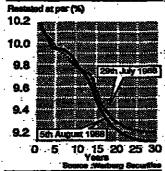
Units.
Although the latter is of limtted short-term significance for the gilts market, the former does have one beneficial spin-off and points to longer-term implications for how the Bank of England will manage was a function of inflation, but

the Bank will have to sell this ers at the Bank and the Trea-year. In announcing the plan, sury with a situation which the Treasury said the Bank few of them could have had bought forward \$1bn as dreamed; managing the stock part of the larger debt repay- of outstanding debt to arrive at

debt is just the external reflec- pared only to engage in swaps. tinuing this situation.

been on the decline since the that. Iste 1950s. The fall from about ... If the Bank and the Treasury 60 per cent at the beginning of are going to turn their atten-

UK Gilts yields Restated at per (%)



The spin off from the dollar ment's finances is now the debt repayment is that it main reason for it falling.

optimum maturity structures

The currency has been and average costs.
bought forward, but it is only Some in the market have settled when the forward con- interpreted the Bank's recent ract is delivered — at or about actions as indicative of a change in its policy and possible is redeemed. At that time by pointing to a more active take place and the Bank plans noticed that the Bank is preto sell an equivalent amount of pared to take stock off the margilts (about £600m) to sterilise ket but less willing to let it the transaction's effect on the money supply.

The larger implications of last week's move are also clear. The repayment of the foreign debt is just the external reflectory and possible market, all with various coupons. One of the key reasons for this was that the Bank had to be sensitive to the needs of investors when it had to sell a vast amount of paper to finance public spending. Now that the market is no longer driven by considerations of the market was getting the market was preticular at the market is no longer driven by considerations of taxation, there can be active to the needs of investors when it had to sell a vast amount of paper to finance public spending. Now that the market is no longer driven by considerations of taxation, there can be little rational reason for continuing this situation.

THIS WEEK

once again provide a theme for both UK and US financial markets this week. tion to the national debt, and Producer price statistics,

there are some tentative indi-cations that they are, then covering the cost of raw materials for industry and factory-gate prices, will be published in the UK today and in the US on Friday. The Bank, has, for example, the right to conduct a "reverse

tender. for stock. Such a tender of long-dated high coupon securities, with the Bank asking for offers across a range of maturities.

In the US on Friday.

Any sign of an upturn will be analysed carefully by foreign exchange markets and could increase speculation about further rises in the cost of borrowing.

The MMS international of borrowing.
The MMS international survey of analysts' forecasts suggests UK input prices will rise 0.6 per cent in July after

material prices are not

input series could make

difficult than usual.

However, changes to the method of calculation of the

year on-year comparisons more

Output prices are expected to show a rise of 0.3 per cent

in July. This would take the

annual rate to just below 5 per

cent, slightly higher than last

index for July, covering factory

a 0.5 per cent increase after a 0.4 per cent rise in June.

On Thursday, the Bank of England publishes the August

issue of its quarterly bulletin.

on its economic commentary,

Analysts are likely to focus

looking for any hints about

in quick succession during

June and July, the bulletin

authorities believe current

moves are likely.

whether further interest rate

After six interest rate rises

accelerating.

month.

business of borrowing money at the cheapest rate it might, having bought in an amount of less than the 1.8 per cent rise high coupon long stocks, re-issue an equivalent amount of shorter stocks with lower cou-This would mean the annual rate of increase would fall from pons. This would achieve a shortening of the maturity structure of the debt as well as about 5 per cent to just above 4 per cent, perhaps giving some reassurance that raw

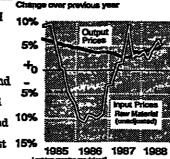
reducing its running costs. A policy of funding such as this could generate considerable activity in the market in itself. If, however, it were also linked to a policy of consolidatextant it might also help in the

As the authorities are in the

market's development. There are now well over 100

dept is just the external reliection of what is happening. Its recent actions seem howed domestically: no need to borever, to be pretty much in line market, is there not a case for row and a tendency for the with its past behaviour of buyards a situation actual stock of existing debt to ing in a weak market and self-ing into a strong one. Signs of The national debt as a percentage of national income has been on the decline since the that

Simon Holberton exchange rates and interest



rates will succeed in their aim of slowing economic growth. In Japan, preliminary customs cleared trade figures for July, due on Friday, could upset the pro-dollar sentiment that has prevailed on foreign exchange markets in recent

The figures are expected to confirm the recent upward trend of Japan's merchandise trade surpluses on the back of a resurgence of exports, Many Tokyo economists have been disturbed by the strengthening trend of the dollar in recent weeks against what they see as the continuing underlying trend of large trade and current account imbalances and the steadily worsening In the US, the producer price

Other events and statistics gate prices, is expected to show this week (with MMS International consensus forecasts in brackets) include: Today UK final retail sales and credit business in June. Tuesday US Treasury three-year note auction. Wednesday US Treasury

Thursday US retail sales for

indebtedness of the US.

Department of Trade and Industry figures for vehicle production in July. may give some guidance about Friday US manufacturing and trade inventories for June

10-year note anction.

July (+0.4 per cent). UK

Which company

...is re-building Reading Station? ...is selling huxury flats in Wimbledon? ... is hiring specialist plant nationwide?

... is working on oil rigs around the world? ...is providing computer personnel in Australia?

onto a computer data base? ...has provided share information offices for British Airports Authority, Rolls Royce and British Airways?

... has put the whole of the Electoral Register

... has despatched 75 million pieces of mail in the last year?

It may surprise you to learn that all these activities are carried out by Turriff Corporation. We are listed on the London International Stock Exchange and last year our profit before tax rose 93% while earnings per share were

Our foundations are in construction. Today our strength lies in our diversity. We have four divisions. Our people are specialists – they know their business.

If you would like further information on Turriff call Peter Taylor on 0926 493400 or complete the coupon below.

To: Peter Taylor Financial Director Turriff Corporation plc PO Box 78 Budbrooke Road ☐ The Group

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TURRIFF

TURRIFF

TURRIFF STRENGTH IN DIVERSITY

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24th March, 1988

£125,000,000



The Royal Bank of Scotland plc

105/s per cent. Subordinated Bonds due 1998

Guaranteed on a subordinated basis by The Royal Bank of Scotland Group plc

Issue Price 1015/8 per cent.

Union Bank of Switzerland (Securities) Limited

Charterhouse Bank Limited

Chase Investment Bank

Merrill Lynch International & Co.

Security Pacific Hoare Govett Limited

S. G. Warburg Securities

Banque Bruxelles Lambert S.A.

Baring Brothers & Co., Limited

Crédit Commercial de France

Goldman Sachs International Corp.

Hambros Bank Limited

Kidder, Peabody International Limited Nomura International Limited

Kleinwort Benson Limited

Phillips & Drew

Salomon Brothers International Limited

Shearson Lehman Brothers International SBCI Swiss Bank Corporation Investment banking

ECU 150,000,000



European Investment Bank

7½ per cent. Bonds due 1996

Issue Price 1013/s per cent.

Union Bank of Switzerland (Securities) Limited

Banque Bruxelles Lambert S.A.

Banque Paribas Capital Markets Limited

Cassa di Risparmio delle Provincie Lombarde-CARIPLO

Crédit Commercial de France

Crédit Lyonnais

Deutsche Bank Capital Markets Limited

Mitsubishi Finance International Limited

BNP Capital Markets Limited

Banca Nazionale del Lavoro

Banco di Roma International S.A.

Banque Internationale à Luxembourg S.A.

Bankers Trust International Limited

Bayerische Landesbank Girozentrale

Bayerische Hypotheken- und Wechsel-Bank Caisse Centrale des Banques Populaires

Daiwa Europe Limited

Generale Bank

Genossenschaftliche Zentralbank AG

The Long-Term Credit Bank of Japan (Europe) S.A.

Merrill Lynch International & Co.

Morgan Stanley International

The Nikke Securities Co., (Europe) Ltd.

Rabobank Nederland

- E # 2 10

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U.S.\$100,000,000

THE TORONTO-DOMINION BANK

(a Canadian chartered bank)

8 per cent. Deposit Notes due July 5, 1990

Issue Price 101.0625 per cent.

Union Bank of Switzerland (Securities) Limited

Banca del Gottardo

Banque Bruxelles Lambert S.A.

Banque Internationale à Luxembourg S.A.

Commerzbank Aktiengesellschaft

Goldman Sachs International Corp.

McLeod Young Weir International

The Nikko Securities Co., (Europe) Ltd.

Prudential-Bache Capital Funding

Swiss Cantobank (International)

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Can. \$300,000,000



BCE Inc.

95% Series 4 Notes, Due 1993

Issue Price 1013/8%

Union Bank of Switzerland (Securities) Limited

Crédit Lyonnais Generale Bank

Dresdner Bank Aktiengesellschaft

Merrill Lynch International & Co.

RBC Dominion Securities Inc.

Nomura International Limited

Wood Gundy Inc.

INTERNATIONAL CAPITAL MARKETS

VUGUST 8 1989

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interpretation

Active summer in the Mediterranean

THE THOUGHTS of those who suffer the privations of what passes these days for summer in northern Europe (last weekend notwithstanding) often turn to Mediterranean climes. This is particularly true this year for bankers in the international loans market, where, in what is normally its quietest period, several financings for

countries in that region are under way.

Morgan Grenfell and Imil,
the bank of IMI, the Italian state holding company, are syndicating a \$288.6m refinanc-ing of bilateral debt between Italy and Brazil. The refinancing, a consequence of Brazil's earlier problems in repaying its debt, is 100 per cent the risk of Sace, the Italian export

The new financing carries a final maturity of July 1992 and an average life of 2.4 years. The margin is 17.5 basis points above London inter-bank offered rates.

The syndication of a \$100m

loan for Banque Exterieure d'Algerie has been extended. The seven-year loan carries a four year grace period and a margin of % point over Libor. The loan, for which Gulf International Bank is the agent, is underwritten by seven banks, including Chase Manhattan, the first US bank to underwrite a financing for the country in three years. Eleven banks have already joined in syndication, achieving a sell-down of almost 27 per

With a sell-down target of 30 per cent, the lead banks say they are well pleased with the

EUROMARKET TURNOVER (\$m) il Westwel-Red nques Populairs m (l'urope) SA inai. Notaisi

In the UK, Charterhouse has disclosed terms of the £250m financing it was mandated to arrange for Lowndes Ventures to finance part of its acquisition of Harris Queensway. Joint lead underwriters are Charterhouse, Royal Bank of Scotland and Midland Bank, whose Montagu unit is co-or-dinating syndication.

The six-year facility amor-

tises from the end of year one and loan outstandings are fore-cast to fall significantly in the first two years. Interest margins start at 1.75 percentage points, reducing in stages to 1

points, remaining in stages to a percentage point.
Citicorp is syndicating a \$60m financing for NMC Group, the UK packaging and plastics concern, to finance its acquisition of Universal Packaging of the US. The sevenyear financing, \$45m of which is a term loan and \$15m of which is for working capital, pays a commitment fee of % per cent and a margin which works out at about 1 percent-

age point.
Lloyds Merchant Bank is syndicating a \$120m financing for Spitalfields Holdings, owner of the 1m sq ft Spital-fields commercial development just outside the City of London. The funds are to finance the equity in the project's ulti-mate owners, BICC, Costain and London and Edinburgh Trust. This last stage of the financing carries no recourse to the property but is guaran-teed severally, as the lawyers say, by the three companies. There is a tender panel, a facil-ity fee of 10 basis points and a maximum margin of 15 basis

Chase, which last week com-pleted a £100m facility for the Abbey Life Group, is syndicating the financing of a Boeing 747-288C air freighter with GE engines to Air France. A Chase leasing company in Tokyo will own the aircraft, 23.1 per cent of the financing for which is being provided by a Japanese leasing syndicate and the rest, amounting to about \$80m, by a syndication among banks which have no problem with Japanese withholding tax.

This latter credit has a 13-year final maturity, an 8.72 year average life.

Stephen Fidler

INTERNATIONAL BONDS

Japanese equity warrants poised for resurgence

SYNDICATE managers effectively prevented from issu-ing Japanese equity warrant deals for the last fortnight might be a bit bolder this week. The recent informal agreement to restrict new issu-ance appeared to have the desired regenerative effect on the grey market and the coast is clear for a few more new

deals.

It will be interesting to see how many emerge, however. Although the Tokyo stock market continues to post record highs — so frequently now that it fails to excite much notice - the mood in the equity warrant bond sector is cautious, to say the least, after last month's experiences. It also seems unlikely that the

asso seems unlikely that the sector will escape the general malaise hanging over the rest of the Eurobond market.

The relatively swift return to more rational pricing and orderly trading practices has been halled by merrit magnetory. been halled by many operators as a clear sign that the equity warrant market, regarded for so long as rather marginal and speculative, has finally grown

Others have pointed out, however, that the recent crisis stemmed directly from its break-neck growth in too short a period and, although the market has attained a respect-able depth, there are still times when it exhibits a relative lack of sophistication.

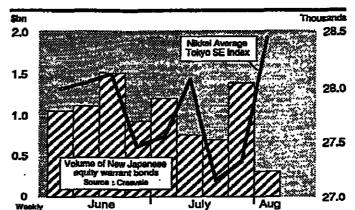
The moratorium on new deals, reluctantly agreed to by the major lead managers following pressure from the main non-Japanese houses, was obvi-ously the appropriate remedy for the bout of chronic oversupply which hit the sector two weeks ago. When a couple of new bonds surfaced last week they carried sharply higher coupons, set a full point above the level seen for the greater part of the year when the market was steaming

They included Mitsui Tostsu Chemical, Nippon Fire & Marine Insurance and Nichirei, the cold storage com-pany, which all met a far hap-pier reception than their imme-diate predecessors. The first two borrowers were

The hist two horrowers were particularly popular. Mitsul Toatsu ended the week bid around par, Nippon Fire at 99 and Nichirei around 98, a substantial improvement on grey market prices of as low as 90 and 91 seen on a handful of deals only a few days before.

More realistic coupon levels 4½ per cent on the four-year deals and 5% on five-year maturities – have certainly boosted the deals, but dealers pointed out that these names were also decidedly more wel-come than those of some of the

distinctly second-rate stocks which had previously tapped A senior warrant trader said:



"Investors have returned to a more selective mode, thinking hard about the underlying stocks before rushing into the deals, and it wouldn't be a bad idea if the syndicate managers did just the same."
Sentiment has also been

greatly buoyed by the latest rally on the Tokyo stock mar-ket. Share price movements are expected to exert greater influence than ever on the new equity warrant bond calendar. The Nikkei stock market index rose to a high of 28,366 last Tuesday only to exceed this on Friday with a new record level of 28,423, fuelled largely by speculative buying. Trading was strictly focused, patchy and driven largely by

financings as various sectors

took turns in vogue.

have to pick up for momentum to be maintained. Furthermore, the price rises look decidedly appear to owe more to a fall-off for some time.

Last week, these included

the last apparently propelled

department stores, financials and paper and pulp companies

higher by rumours, later quashed, that the emperor was

in ill health. The coronation of a new emperor would entail the reprinting of all official sta-

tionery, calendars and the like.
The short-term outlook
remains favourable although
most analysts seem to think

upside potential is limited

has occurred against a back-ground of relatively thin vol-

ume, and trading activity will

in selling pressure than to a surge in buying, another factor which could limit the rally. Clearer market direction will probably not be apparent untillater in the month. Although Japan does not experience a summer holiday exodus as pronounced as Europe's, several Tokyo fund managers are expected to be away during the coming Obon festival when Japanese families traditionally honour the spirits of their ancestors. This could curtail

the more extreme activities of some brokers for the next couple of weeks. This anticipated lull is bound to accelerate the move of relatively cheap warrant bond paper still cluttering up lead managers' and market makers' books, making room for a few selected new issues. Quality and not quantity, however, is expected to be the new yardstick when the primary

swing.
The minimum size for new issues in which an active two-way market is guaranteed will be on the agenda when the market makers in the sector hold their regular meeting next because there are few funda-mentals to push the market any higher. The current rally month. The frayed tempers seen during the oversupply crisis last month have been mollified by the latest truce and the chances of reaching a compro-mise on new trading guidelines look decidedly brighter than of them non-Japanese houses, were frustrated by the lead managers' apparent lack of compunction in effectively dropping some of their smaller and less attractive deals by failing to make a genuine two-way market in them.

Most are now optimistic that they will agree on a minimum issue size for active trading, probably of \$150m. For deals smaller than this, demand will depend on the attractiveness of the company in question, thus putting an extra burden on the lead managers who are beholden to their issuers.

The World Bank is issuing a Y70bn Daimyo bond in the domestic Japanese yen market. The coupon on the bonds is 5% per cent and the issue is priced at 100%. The final maturity is 10 years, giving a 5.12 per cent yield on a semi-annual coupon equivalent basis. The issue is

through Yamaichi Securities. Although issued in the domestic market, Daimyo bonds incorporate special fea-tures to boost liquidity. These include the settlement of trades through international book-entry clearance systems and listing on the Luxembourg Stock Exchange. The issue may also be reopened and increased with further offerings featuring the same maturity and coupon.

Dominique Jackson

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield
US DOLLARS							
Matsuyadenki Co.♦♦	70	1993		4%	100	New Japan Secs.	4.87
Tobu Railway Co.♦♦	200	1993	5	434	100	Yamalchi Int.(Eur)	4.75
Sumitomo Metal Mining 🙌	300	1992	4	4	100	Daiwa Europe	4.00
Anheuser-Busch Co.◆	100 .	1992	. 4	91 ²	1013	J.P.Morgan Secs.	8.70
Abbey National BS	200	1993	5	9%	1013	J.P.Morgan Secs.	9.02
B.P.America Inc.	100	1989	1	10½	102.80		7.49
Vitsui Toatsu Chemical	200	.1992	_ 4	(4 ¹ 2)	100	Nomura int	
Vippon Fire & Marine Inst	100	1993	5 2	(5 ¹ 4)	100	Yamaichi Int.(Eur)	
Sweden 🔷	200	1990	2	85 ₈	100.95		8.09
Nichirei Corp.4	100	1992	.4	(4½)	100	Yamalchi Int.(Eur)	
American Brands§	200	2003	15	(5 ¹ 4-6 ¹ 2)	100	Morgan Stanley	
CANADIAN DOLLARS					:		
Nordic Investment Bank	100	1996	8	9.	46.55	Wood Gundy	10.03
D-MARKS		٠					
iypobank intLux.	100	1993	5	. 5%	10012	B'ische Hypotheken	5.63
objeta insurance Co.	85 ·	1993 .	5	6	100%	Dresdner Bank	5.79
K.B.int. Lux.♦	. 75 '	1993	5	8	10112	Industriekredit8k,AG	5.64
SWISS FRANCS		٠					
Sunstar Inc.""§♦	80	1993	_	15/15/15/15/15/15/15/15/15/15/15/15/15/1	100	Credit Suisse	0.50
Sata Construction \$. 50	1993	-	¹ 2.	100	SBC	0.50
lotel New Hankyu Co."§◆	50	1993	-	1% `	100	S&C	1.75
Onamba Co.™§◆	20	1993	· -	12	100	Bank Julius Baer	0.50
shizuka Glass**§♦	60	1993	-	12	100	Credit Şuisse	0.50
lekamichi Corp.**§	50	1994	-	ą.	100	UBS	0.25

NEW INTE	ERNATIO	NAL BOND ISSUE	-\$						
ok runner	Offer yield %	Borrowers	Amount m.	Maturity	Av. life years	Coupon	Price	Book runner	Offer yield
		Yuasa Funashoku Co.**♦♦ Mitsubishi Bank Ltd.**§♦	70 200	1993 1992	-	134	100 100	B.della Sviz Ital. Credit Suisse	1.750
v Japan Secs.	4.875	Mitsubishi Bank Ltd.§◆	200	1992	- :	1 ₂	100	Credit Sulse	0.500 0.500
nalchi Int.(Eur)	4.750	Mitsubishi Bank Ltd.**§◆	200	1992		7	100	Credit Suisse	0.500
wa Europe	4.000	Tachibana Shokais	20	1993	_	(2)	(180)	Handelsbk Natwest	
Morgan Secs.	8.703	Ryoden Service co.**	50	1993	-	(¹ 2) 4 ⁵ 8	100 la	UBS	4.596
Morgan Secs. wa Europe	9.021 7.490	Hokuetsu Ind.Co.**§	30	1993	-	(1 ²)	100	B.della Sviz, Ital.	•
wa curope nura int	7.490	Manitoba**♦	100	1992	-	412	10012	UBS	4.361
naichi Int.(Eur)	•	LUXEMBOURG FRANCS				_	_		
nura Int.	8.092	TNT IPEC Finance B.V. **◆	300	1993	5	75 ₈	1001 _R	Bge Generale Du Lux	7.594
naichi int.(Eur)	:	Christiania Bank Oslo™	300	1993	5	712	10012	Paribas Lux.	7,469
rgan Stanley	_	Credit Europeen**◆	300	1993	5	7 ¹ 2 7 ¹ 2	10014	Credit Europeen	7.438
		STERLING							
od Gundy	10.030	T.M.C.Mortgage Sec.No.9‡◆	200	2018	7.2	(a) (c)	100	Salomon Brothers	-
		Mortgage Funding Corp.2‡◆	115	2023	7-9	(c)	100	Kleinwort Senson	-
che Hypotheken	5.633	YEN							
sdner Bank	5.793	PK Banken‡♦	5bn	1993	5	(b)	100.10	LTCB Int.	
ustriekreditBk,AG	5.647	Den Danske Bank	5bn	1992	4	5 ¹ 2	10112	Nikko Secs.(Eur)	5.076
		World Bank ♦ (d)	70bn	1998	10	54	1001 ₂	Yamaichi Secs.	5.185
dit Suisse	0.501	FRENCH FRANCS							
	0.508 1.750	Deutsche Bk N.V.Curacao ♦	500	1993	5	81 ₂	101 ¹ 8	BNP Cap. Mkts.	8.217
k Julius Baer dit Suisse	0.501 0.500	"Not yet priced. #Floating rate note	. With squit	werrants. SC	convertible.	Final terms.	(a)Coupor	at 321 ₂ basis points over 3 m	onth Liber for the
iir ėmose	0.350	first 10 years, thereafter 50 basis (ooints over 3 (a) except (a)	montn Liber. mected avecs	EXPECTED &	verage IDE 7.2 verse (d)Dalm	yeara. (b) vo issue.	Coupon toed semiannually at Note violds are estadated on	5 year Yen Swap

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JULY 1988

U.S. \$250,000,000



Nokia Corporation

Revolving Credit Facility

Credit Suisse First Boston Limited

Kansallis Banking Group

Union Bank of Finland Limited

Co-Lead Managers

Banque Nationale de Paris

Banque Paribas

Credit Suisse

Deutsche Bank Luxembourg S.A.

Dresdner Bank Aktiengesellschaft

National Westminster Bank Group

PKbanken International Ov

Swiss Bank Corporation

Westdeutsche Landesbank Girozentrale

Generale Bank

Bank of America

Canadian Imperial Bank of Commerce

Amsterdam-Rotterdam Bank N.V.

Citibank Oy

Den Danske Bank

Postipankki Ltd

The Royal Bank of Canada

Union Bank of Switzerland

Facility Agent

Swingline Agent

Citicorp Investment Bank Limited Credit Suisse First Boston Limited

Dixons

Dixons Group plc

£90,000,000

11% Bonds due April 1995

J. P. MORGAN SECURITIES LTD.

Union Bank of Switzerland (Securities) Limited

S. G. WARBURG SECURITIES

BARING BROTHERS & CO., LIMITED

BANQUE BRUXELLES LAMBERT S.A.

BNP CAPITAL MARKETS LIMITED

BARCLAYS DE ZOETE WEDD LIMITED

CHASE INVESTMENT BANK

COMMERZBANK AKTIENCESELLSCHAFT

COUNTY NATWEST LIMITED

DEUTSCHE BANK CAPITAL MARKETS LIMITED

KLEINWORT BENSON LIMITED

SAMUEL MONTAGU & CO. LIMITED

Nomura International Limited

SBCI Swiss Bank Corporation Investment banking

14th June, 1988

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INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Fed squares up to a no-win policy decision

THE Federal Reserve Board, increasingly receiving plaudits for its subtle management of financial markets, may never-theless be damned by those very markets if it does or does not tighten monetary policy

It is a difficult question whether the US Treasury bond market fears another tightening move or a lack of one more.

Last Friday, it was the pros-pect of higher interest rates which sent prices down by a full point in the wake of an extremely strong set of employ-ment figures. But, if the Fed funds rate stubbornly sticks in its current range between 7% per cent and 7% per cent in the next few weeks, bond traders will run even more scared.

If the Fed were to decide not to tighten any further, those who have been applauding the responsiveness of Mr Alan Greenspan, the Fed chairman, to inflationary pressures in the economy would just as swiftly than around and accuse the turn around and accuse the chairman of irresponsibility and even of putting the Republican cause before good management of the economy.

The justification for tighter

undoubted. Last week's series of economic figures all pointed to a robust economy. Factory orders jumped 5.5 per cent in June and the rise was not all in the defence sector.

Single family home sales surged by 8.5 per cent in the same month, and there may have been an element of people trying to beat higher mort-gages expected in the months ahead. Nevertheless, every-thing in the economic release pointed to a healthy housing

Leading indicators rose 1.4 per cent in June. Although the indicators were revised downwards in April and May, the June surge was still the largest monthly increase since December 1985 and not the kind of ber 1986 and not the kind of figure one would expect if the economy was beginning to Then there were the unem-

ployment figures. Every ele-ment pointed to strong if not accelerating growth and to evidence that wage increases are beginning to pick up speed. Taken together with the sec-tion in the Fed's Tan Book,

agement of the economy. The justification for tight monetary policy seems to	ter	compiled from regional Federal Reserve bank reports, which				
US MONEY	IARI	KET RA	TES	(%)		
	Last Friday	1 week	4 vis <i>म</i> ुठ	12-month High	12-month Little	•
Fed Funds (weekly average)	7.78	7.77	7.65	7.83	627	•

	Last Friday	1 week 290	4 vis	12-month High	12-month Lite
	7.78 6.92 7.25 8.18 7.85 8.00	7.77 6.95 7.13 8.20 7.85 8.08	7.65 6.55 6.96 7.88 7.65 7.72	7.83 7.17 7.65 8.26 7.62 8.05	6.27 5.03 5.73 6.67 6.52 6.60
OND PRIC	CES A	ND Y	ELDS	(%)	

	Last Fri	Charge On wik	Yield	1 week	4 wt_ 390	
Crear-pear Treasory 20-pear Treasory 30-pear Treasory 30-pear Pear Treasoriat New 30-pear "A" Financiat New "AA" Long utility New "AA" Long instastriat	995, 100 100 100 100	하는 하는 수년 수년 -	8.% 9.21 9.13 9.90 10.20 10.15	8.97 9.24 9.22 19.00 10.25 10.20	8 90 9 24 9 10 10 25 10 25	
Manage supplies In the week and of the	L. DE .			nson Bros	_	-
Money supply: In the week ended Ju-	17 23, S	easonally a	ar justed	HOWING BO	PANA LOS	

RNI IO	KYO BO			UNEY	
December 1983 = 100	4/5/58	Arerage Yield (%)	FORMANCE (Last writh	12 ets 290	25 w/s
Overall	143.88	4.73	143.76	144.00	142.50
Government Bonds	145.84	4.47 5.00	144.07 145.76	144,94 145,37	143. <u>21</u> 144.24
Gort guaranteed Books	147.35 137.84 144.40	4.98 4.66 5.42	147.25 137.72 144.25	146.84 137.71 143.47	136.64 136.64 141.5
Yen-desom, Foreign Bonds	146.49	6.37	146.30	144.27	141.27
Generousend 10-years	5.16	ų2	5.14	4.94	4.73

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New Issue

August, 1988



The Mitsubishi Trust and Banking Corporation (Incorporated in Japan)

U.S. \$100,000,000 31/4 per cent. Convertible Bonds Due 2003

Issue Price 100 per cent.

Mitsubishi Trust International Limited

Yamaichi International (Europe) Limited J. P. Morgan Securities Ltd. Union Bank of Switzerland (Securities) Limited

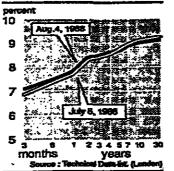
County NatWest Limited Nomura International Limited

Bankers Trust International Limited Baring Brothers & Co., Limited Daiwa Europe Limited Goldman Sachs International Corp. Marusan Europe Limited The Nikko Securities Co., (Europe) Ltd. Okasan International (Europe) Limited SBCI Swiss Bank Corporation Investment banking Security Pacific Hoare Govett Limited S. G. Warburg Securities

Merrill Lynch International & Co. **Morgan Stanley International** Westdeutsche Landesbank Girozentrale

Deutsche Bank Capital Markets Limited Shearson Lehman Hutton International, Inc.

Banque Indosuez Credit Suisse First Boston Limited Robert Fleming & Co., Limited **Manufacturers Hanover Limited** Mitsubishi Finance International Limited Norinchukin International Limited Salomon Brothers International Limited J. Henry Schroder Wagg & Co. Limited **Toyo Securities Europe Ltd** Yamatane Securities (Europe) Limited



rising materials prices and labour market tightness, the odds of a further tightening in policy seem to be high.

However, nobody expects any dramatic lurch in policy. The most likely scenario is that the Fed will continue gently almost impercentially.

gently, almost impercentibly, to encourage the Fed funds rate to rise. A discount rate remains unlikely.

Mr Larry Lenzzi, fixed-in-come economist with Warburg Securities in New York, reck-ons that Fed funds will gradu-ally drift higher, hitting 8 per cent perhaps after about two it seems doubtful whether much evidence of tightening

will emerge this week, which is a particularly sensitive one not only for bond market traders

but also for politicians.

First, it is the week of the
Treasury's quarterly refund-

ing, which already has to over-come possible investor unease with some unusual elements, notably the lack of a long bond and unusually large \$11bn auctions of three-year and 10-year

Nikko Securities reports great interest in Treasuries from Japan. From January to July, Japanese net bond purchases overseas totalled more than \$500n, of which 70 per cent to 80 per cent was dollar-denominated. denominated. From its soundings, Nikko

concludes that Japanese inves-tors believe the dollar will be weaker by the end of the year but that its current stability will last beyond the refunding. They also view the current yield spread between dollar and yen bonds as "about right."
With domestic demand for

Treasuries almost non-existent, the number of Japanese who show up at this week's party will be crucial.

One plus point is that the sharp drop in prices last Fri-

day, which reversed the techni-cal gains scored earlier in the week, have made yields that

week, have made yields that much more attractive. Nevertheless, the Fed will not want to unsettle the mar-ket with any overt policy moves. It will also be con-cerned not to pour damp water on Vice President George Bush's glory hour at the con-ing New Orleans Republican convention. Mr. Bush has convention. Mr Bush has already expressed concerns about any undue tightening in

Another reason that the Fed has to proceed cautiously is that the dollar, which is already putting a great deal of pressure on the Bundesbank, has only just raised its Lombard rate

The US cannot risk an uncontrolled surge in the dollar which would put further pressure on the West German D-Mark and therefore upward pressure on German interest bard rate.

The risks were clear last Friday when the dollar leapt to its highest level against the D-Mark this year.

The next meeting of the Federal Open Market Committee is on August 16 and the Fed will have to decide whether to tighten this month or whether to wait for more economic data and move in September. Because the election is getting nearer, the timing of any tightening moves becomes even more crucial and the Fed may decide to act now to get bad news out of the way as early as

While the primary focus of the bond market this week will be the Treasury auctions tomorrow and Wednesday. there are also some economic releases of particular interest. One which could have most

influence on bonds is the release on Friday of July figures for producer prices, expected to rise by 0.5 per cent.

Janet Bush

Japan acts on interest rate curbs

By lat Radger in Tokyo

THE JAPANESE Ministry of Finance has announced further steps in its programme to remove controls from interest rates on bank deposits.

From November, controls on interest rates on large-scale time deposits down to Y30m (\$224,215) will be removed. At present all deposits below Y30m are subject to controlled

The ministry also said it would lower the ceiling for controlled rate deposits to Y20m next spring and to Y10m in the autumn of 1989.

The gradual decentrol of interest rates on deposits has been one of the main features of the deregulation of Japanese figancial markets in the last four years. However, so far it has affected only interest rates on large-scale deposits.

Decontrol of interest rates on small-scale deposits has been strongly resisted by the Minis-try of Posts and Telecommunications (MPT), which operates a large postal savings system. Hopes that progress would be made in this area this year have apparently diminished.

Finance officials said on Fri-day that they had begun nego-tiations with the MPT aimed at lifting controls on smaller deposit interest rates, but no moves were expected until

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National City Corporation announces an even stronger National City Corporation.

Completion of our merger with First Kentucky National creates a \$20 billion super-regional banking company with powerful new muscles at your service.

We have forged a union of remarkable strength:

The dominant banking presence in Ohio and Kentucky, with more than \$1.2 billion of total equity capital and a market capitalization of nearly \$2 billion.

Of especial importance for stockholders, we have acquired a new diversity: new markets driven by thriving regional economies; new products independent of volatile interest rates.

The National Processing Company in Kentucky, for example, is one of the nation's largest item processors, handling airline tickets for 27,000 travel agents, credit card payments for major oil companies, and customer payments for large retailers.

The merger has strengthened our ability to make larger commitments, providing a greater loan capacity for our customers and creating new opportunities for ourselves.

We have grown new marketing muscles, increasing the opportunities to develop and test new products and retain our competitive edge.

With the compatibility of our cultures, we look forward to enhanced earnings and stockholder value.

The strongest banks in two states...
Even stronger now.

	
National City and First I Combined Financial His	
At June 30, 1988	yg
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Assets	\$19,678,124,000
Loans	13,523,707,000
Deposits	14,980,364,000
Equity Capital	1.252.678.000
Primary Capital Ratio	7.6%
First Half, 1988	
Net Income	\$107.540.000
Return on Equity	17.47%
Return on Assets	1.12%
For more information, wri	te the Investor Relations



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Dornier By Our Financial Staff

DAIMLER-BENZ.

diversified West German motor group, has reduced its holdings in Dornier, its aerospace sub-sidiary, to 54 per cent from 66.3 per cent by selling back shares to a member of the Dornier

The announcement came

only a few days after the indus-trial group finally agreed with family shareholders in the Dor-nier subsidiary on a disputed capital injection. The Domiers

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Enimont prepares to take on the world's chemical industry

John Wyles on the long-awaited public and private sector merger of the Enichem and Montedison groups

"I feel drained, like after writing a book or taking final examinations," declared the president of Eni, the Italian state energy group, on Friday evening after the Government had finally approved the long-awaited chemicals joint venture between Enichem and ture between Enichem and Montedison, officially baptised Enimont

He saw nothing hyperbolic in his assertion that the project between public and private sectors was "the biggest industrial policy operation ever carried out in Italy."

The grandeur had been emphasised by the difficulties encountered during two-and-ahalf years of often faltering discussions which were eventually rescued because Montedison's new owner, Mr Raul Gardini, the boss of the Fer-ruzzi agricultural empire, accepted the project's indus-trial logic and needed its financial benefits.

The agreement will lead to

r Franco Reviglio's L9,500bn (\$7bn), annual sales of mood was nothing L13,000bn and, on present performances, gross profits of about Li,000bn a year. Share-holders capital will total L4,000bn, of which about 80 per cent will be equally divided between Enichem and Montedison, and the remainder placed with third party investors. It will start out with a signif-

icant debt burden since Mr Gardini has succeeded in placing L3,800bn (out of about L8,000bn) of Montedison's debt with the new company, while Enichem is committing L2,300bn. The L6,100bn total should be reduced to at least L5,500bn after third party investment

The unequal debt allocation to Enimont from the two par-ents reflects differences in the asset values they are contributing. After serious difficulties over valuations, which at one negotiations, Enichem's businesses were assessed at L4,000bn and Montedison's at L5.500bn.

The owners have agreed to the launch next January of a leave all profits in the business group with an asset value of in the first three years with the



aim of amassing L2,000bn to reduce the debt burden. If profits are insufficient, then Enichem and Montedison will underwrite a capital increase to ensure the target sum is reached. The embargo on dividends, however, would not apply to third party investors.

According to Mr Reviglio, Morgan Stanley and Goldman Sachs, the merchant banks who have advised during the negotiations, gave assurances "that there will be no problem in selling the minority stake. We are aiming at 15 to 20 per cent, but if the demand is there, we could go higher, even to 30 per cent."

The Eni president sees much potential interest in Italy and abroad in a venture bearing a price earnings ratio of between four and five. Apart from the institutions, it is thought quite possible that the fibres subsid-iary of Fist-controlled Snia-BPD and Dow Chemical of the US may be among industrial companies looking for a stake.
The initial ownership arrangement between Enichem and Montedison is set to last

for at least six years unless, at the end of three, Montedison offers to sell any of its more specialised chemicals businesses to Enimont. The most important candidate would be Himont, its 80 per cent-owned US subsidiary, which accounts for 20 per cent of the world market in polypropylenes and

Troubled FCA

shows further

loss in quarter

FINANCIAL Corporation of

America, the largest but deeply troubled US savings and loan

institution, reported further losses in the second quarter of \$160.5m, reflecting the continu-

ing drag of non-performing assets and lower income from

loans and mortgage securities.

By Our Financial Staff



Ranl Gardini of Montedison: accepted project's logic

turned in profits of \$227m in

In the event of any offer, it has been agreed that Eni could agree to expand Enimont and in so doing descend to a minority stake; it could refuse and buy out Montedison; or it could sell a controlling stake to Mon-tedison. The Eni president said

yielded a very important foint venture for the future of this country," he said. There was every possibility of constructing a strong, profitable basic chemicals industry capable of competing at an international level and of reducing the deficit on Italy's chemicals trading account, which topped 1.7.000m last year.

The management of the new company will be jointly led by Mr Lorenzo Necci, Enichem's softly-spoken and highly effective managing director, who will be its president, and Mr Sergio Cragnotti, the Montedison vice-president, who will be managing director. Neither side sees much potential for conflict in this

equal division of powers. The two managers will be guided by a detailed business plan which has already been negotiated and a controlling board requiring a 65 per cent majority for strategic decisions.

The business plan reportedly gives a clear picture of the

he was happy with these three options.

The negotiations had been "very tiring" but they had yielded a "very important joint venture for the future of this country, he said that the property of the series of the new venture for the future of this country, he said that the property of the series of the series of the series of the new venture. It foresees some rationalisation among the 70 industrial plants and weaknesses of the new venture. It foresees some rationalisation among the 70 industrial plants and weaknesses of the new venture. It foresees some rationalisation among the 70 industrial plants and weaknesses of the new venture. It foresees some rationalisation among the 70 industrial plants and weaknesses of the new venture. It foresees some rationalisation among the 70 industrial plants and venture. It foresees some rationalisation among the 70 industrial plants and venture. redundancies. But according to Mr Reviglio, most of the necessary rationalisation in Eni-mont's two halves has already taken place

In this case, overlapping activity is not a handicap since Enimont is looking for higher production at lower costs from the sum of its two halves. Investment requirements of L4,500bn in the next three years have been identified and some L3,000bu has already been notionally allocated.

A much expanded effort will
be put into research and development in a strategic plan, which also calls for a strengthening of international activities, particularly in elastomers, polyethylenes and polysty-

are the largest minority share-Daimler's reduced stake. however, is not likely to affect its control over the serospace company. Under the compro-mise agreed with the Darniers, Daimler was granted total control over Dornier while giving financial concessions in return. polyerhylenes and polyerhylenes, a greater exploitation of the existing product range through acquisitions, disposals and joint ventures, some new The Dornier family gave up the right to veto decisions on comproduct development and selective specialisation in some fine chemicals.

pany policy. Daimler said the company had returned an 11.5 per cent stake in Dornier to Mr Silvius Dornier, who temporarily consigned these shares to Daimler when he and his relatives sold a majority of the company to Daimler in 1985.

Mr Silvius Dornier and the heirs of Mr Claudius Dornier now hold 21.24 per cent each.

GM seeks car rental holding By James Buchan in New York

GENERAL MOTORS looks set to follow Ford and Volvo into the multibillion dollar US car rental industry after the weekend announcement that it is seeking a big stake in National

The US motor manufacturer said it was negotiating to buy a "substantial minority interest" in National as part of a reorganisation of the ownership of the third largest US car rental

Fidelco, a private New Jersey investment company, is buying out its two partners in an investor group that acquired National from House-hold International for \$1.5bn in 1986. The two partners are PaineWebber, the Wall Street investment firm, and Ardshiel,

a small New York firm. None of the participants would say how much Fidelco for National and assumed \$1bn of debt.

GM said yesterday that it saw National as a "good investment" rather than as a purchaser of its vehicles. GM already supplies 75 per cent of National's fleet in the US.

In June, Volvo of Sweden bought 20 per cent of Hertz for \$100m from Ford, which backed a management buyout was paying. The three firms backed a management buyout originally put up \$459m in cash of the market leader last year.

The company, parent of American Savings and Loan Association, lost \$176.8m a year earlier and in the latest half losses rose to \$223.6m com-pared with \$167.6m a year ago.

Mr William Popejoy, chair man, said: "We are hopeful that capital relief will come soon and that it will provide the boost needed for us to stop the further financial deterioration of the association."

Mr Robert Bass, a prominent Texas investor, is negotiating the purchase of American Savings and Loan, which has assets of about \$30hn.

Cofir buys into health insurer By Tom Burns in Madrid

COFIR, the Spanish

investment arm of Cerus, Mr Carlo De Benedettl's European holding company, has con-ducted its second large raid this year into the domestic market with the acquisition of 40 per cent of Sanitas, Spain's leading private health insurance company.

Cofir said full details of the

deal, including the price of the acquisition, would be made public next month. It added that the agreement would

CEPSA, the Spanish oil refiner' controlled by Banco Central

and linked to Abu Dhabi's international Petroleum Investment (IPIC), has posted pre-tax group profits of Pial3bn (\$105m) in the first six months of this year a 20 per cent

of this year, a 30 per cent increase on the first half of

At the beginning of this year, IPIC acquired 10 per cent

strengthen the health company's financial structure and would permit it to expand into

Last April, Cofir, which was launched in Spain a year ago, announced its first big invest-ment with the acquisition of a 21 per cent stake in Pascual Hermanos, the country's premier citrus exporter.

In June, with the clear aim of building a war chest for fur-

Cepsa lifts profit by 30% in first half

of Cepsa's stock and undertook

to supply its new partner with

60,000 barrels a day of crude, close to a third of its require-ments. The deal included a

framework for co-operation in

the Spanish company's chemi-cal and petrochemical interest.

Cepsa said the group's turn-over over the six months had topped Pta260bn and generated

ther purchases, Cofir floated 15 per cent of itself on the Span-ish bourse to raise Ptal_2bn (\$10.5m) and announced plans to raise a further Pta4bn in Cusaf warns convertible bonds. Sanitas has been courted in of uncertainty

the past month by a number of European companies. Winth-erur, the Swiss insurance group, was understood to be Cofir's greatest rival for an agreement. The Spanish company earned Pta16.3bn last year in premiums.

Ptal4.7bn worth of cashflow.

There was no comment by

the group on market reports that IPIC could seek to

increase its holding in Cepsa.

The company is, however, at

an interesting stage in its

ing merger between Banco

Central and Banco Espanol de

velopment due to the on-go-

in Johannesburg COMMERCIAL UNION South

By Jim Jones

Africa, the associate of Com-mercial Union Assurance, benefited from better premium ratings in the six months to June 30 but warned that the insur-ance market was particularly

Interim pre-tax profit rose to R19.5m (\$7.92m) from R12.6m. For the whole of last year, the company turned in pre-tax profits of R25m.

Cusaf wrote R124.2m of net short-term premiums in the first half against R105.1m last time, and R201.5m for the whole of last year.

The interim underwriting surplus increased to R10m from R3.7m against a total underwriting surplus of R10.9m last year.

Publisher acquires Ottawa newspaper

capital with a metropolitan population of about 500,000, may soon be getting a second

daily newspaper.
Toronto Sun Publishing, one of the country's most aggressive publishing groups, is buying 90 per cent of Sunday Herald, the weekly tabloid. Toronto Sun will rename it the Ottawa Sun, spruce up the of about 30,000 a week

OTTAWA, Canada's federal Sunday tabloid edition and, if the market justifies, take it

daily next spring.
Mr Donald Creighton, Toronto Sun president, says the deal was conducted for less than C\$1m (US\$83m), and the minority shares will be retained by the five-year-old Herald's founders. Toronto Sun is in effect buying circulation

The Southam-owned Ottawa Citizen, which publishes six days a week and has an average daily circulation of about 200,000, will have real competition for the first time since 1980 when the Ottawa Journal, owned by Thomson Newspa-

pers, folded. The Toronto Sun, controlled by Maclean Hunter, is majority owner of the Financial Post.

NEW ISSUE These Bonds having been sold, this announcement appears as a matter of record only.

JUNE 1988

NEW ISSUE

This announcement appears as a matter of record only.

JUNE 1988

£80,000,000



Nationwide Anglia Building Society (Incorporated in England under the Building Societies Act 1986)

Subordinated Floating Rate Notes Due July 1998

Credit Suisse First Boston Limited

Bankers Trust International Limited

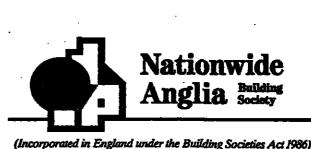
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4% Bonds 1988–1993 of SFr. 200,000,000

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Banque Bruxelles Lambert (Suisse) S.A.

Crédit Commercial de France (Suisse) S.A. HandelsBank NatWest

Baring Brothers S.A.

Dai-Ichi Kangyo Bank (Switzerland) Ltd.

Lloyds Bank plc Kredietbank (Suisse) S.A.

Banque Kleinwort Benson SA

Private Trust Bank Corporation

SOGENAL, Société Générale Alsacienne de Banque

UK COMPANY NEWS

Harrisons

& Crosfield

sells Indian

plantations

HARRISONS & CROSFIELD,

the conglomerate with inter-

ests ranging from chemicals to

plantations, has sold its plan-

tations holdings in India for 212m cash. It first bought into Far East rubber plantations in

Mr George Paul, chief execu-tive, cited prohibitive taxes and dividend constraints as

reasons for the sale and said the company had no intentions

of disposing of its remaining four plantation investments located in the Far East.

The company being sold

Malaysian Plantations Holdings – owns a 40 per cent stake in Harrisons Malayslam, a quoted tea and rubber producer in south India. The buyer is Ambledown investments a Lessy registered

ments, a Jersey-registered

investment company.

Based on the £275,000 net

dividend Harrisons was able to

repatriate last year, the con-sideration represents an exit

p/e of 44 times, Mr Paul said.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Bergesen A/S (Section: Ship-

ping). City of London PR Group

(Paper).
Coletax & Fowler (Paper).
Oceana Development Investment
Trust (Investment

Proviing (Buildings). Rechem Environmental Ser-

Sound Diffusion 74% Conv. Red. Pref. shares (Electricals).

The £50m revolving credit

facility organised by Argyle

Trust is at ¼ per cent over LIBOR, not 1½ per cent as stated in Friday's Financial

S & W BERISFORD, the

commodities, property and

financial services group, is sell-ing its German metals trading

subsidiary, Toma Metall, to its

existing management for a "six

Further progress expected in

EDINBURGH OIL and Gas:

Pre-tax profits £36,000 (losses £76,000) on turnover of £44,000

£147,000) on turnover of £44,000 (£147,000) for six months to June 30. Tax was £1,000 (nil) and earnings per share 0.28p (losses 0.57p). USM quoted.

GEC has acquired for its Power

Systems Group the Manches-ter-based switchgear company,

Long and Crawford, from Quo-

teplan for £12.6m. Its pre-tax profits for the year to July 2

were £2m on turnover of £9.8m. HAMBRO COUNTRYWIDE has

exchanged conditional con-

tracts for the purchase of

Chambers Cook and Stillman,

surveyor and valuer. On com-

pletion £370,000 will be paid in cash with the balance of the

consideration settled via the

issue of a maximum 676,333

shares based on profits perfor-

HATFIELD ESTATES and Bur-

second half.

vices (Chemicals).

Argyle Trust

By David Cohen

the late 1800s.

Benlox completes first stage of transformation

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ing company; for \$3.09m in cash, a deal which would increase Benlox's holding of undeveloped land in Kent to about 91 acres.

The company says it has now completed the first stage of transformation from a small investment dealing and civil engineering business into a property and construction group, a programme begun just over a year ago with the pur-chase of Nolton, the building, property and services company. The £15m "demerger" bid for Nolton was later over-shadowed by a similar, but unsuccessful £2bn approach to Storehouse, the retail chain.

W. Arnold has extensive

The company's major activ-

ject to planning permission, which could be added to land already owned by Arnold and Nathan, a Beniox civil engineering and construction subsidiary also based in Kent.

Benlox said it expected the acquisition, which is subject to shareholder approval, to lead to a number of a development opportunities as a result of property rationalisation between the two subsidiaries. W. Arnold owns a 9.6 acre

site at East Peckham, Kent. It also holds a further 57 acres of agricultural land nearby and a 48-acre quarry near Barming,

BENLOX HOLDINGS is to buy holdings of land in Kent with ity is general mechanical engi-W.Arnold & Sons, an engineer potential for development subneering, manufacturing pulp, paper and waste handling equipment. It produces waste compactors for major supermarket chains, among others, and is also involved in grit blasting, metal finishing and

painting.

Benlox said W Arnold's property had been valued on the open market at more than 64m. Combined with £1.8m of other net assets and taking into account a £300,000 provision for reorganisation of the businesses, Benlox estimates the company's adjusted net asset

value at about £5.5m. In the year to December 31 which included the bid for Storehouse - Benlox lost £1.88m before tax.

SAC Intl warns on profits

By David Cohen

SAC International, design engineering and support ser-vices group, has warned that pre-tax profits for the year to August 31 1988 would fall about £1.7m short of analysts' expectations of £3.8m.

Mr William Neen, finance director, blamed market deteri oration in the design services division – the traditional core now accounting for 35 per cent of its business - and said the division was expected to incur operating losses of £700,000...

A SERIE This is the second time in as many years that SAC has dis appointed the market. Last year the company missed its profit forecasts by almost fim. blaming bad debts, sub-contractors' delivery failure and accountancy errors. Two executives were fired and others demoted as a result.

> The share price of the USM-quoted company has fallen by more than half over the past year and on Friday retreated another 12p to 99p.

Mr Neen said reduced Government spending was a major contributing factor since 70 per cent of the design division's business was Government related. The other divisions were growing in turnover and

due per ECU 100,000 Receipt.

8th August, 1988

Pressure on margins blamed for BCE setback

improvement in turnover to £105im for the year to March 31, B.C.E. Holdings, USM-quoted maker and distrib utor of snooker and pool equip-ment, saw its profits for the period fall from £1.11m to

£584,000 pre-tax.

As reported at the interim stage, margins were under severe pressure. Furthermore, the start-up costs of the European operation, wholly written off against profits, were consid-

and it had taken longer for the company to achieve break-even

Profits from the manufacture and sale of snooker, billiard and pool equipment fell from £586,000 to £50,000. A proposed final dividend of 0.6p makes 1p for the year. The company obtained a USM quote in Octo-ber 1986 and for the period to March 31 1987 paid a dividend

Holders Technology at £0.28m

Holders Technology, USM-quoted distributor of tools and equipment to the printed circuit board industry, raised its profits by £66,000 to £282,000 pre-tax for the half-year ended May 31. Turnover expanded from £1.18m to £1.44m.

As indicated in the prospectus of last March an interim dividend of 2p is being paid

from earnings per 10p share of

6.68p (5.22p). Mr Rudolf Weinreich, the chairman, said expansion in the home market was being paralleled by moves to estab-lish the company within Europe. A German subsidiary had been formed and some of the existing suppliers had extended Holders' exclusive distribution agreements

BOARD MEETINGS

The tollowing companies have notified degree of board meetings to the Stock Exchange. Such meetings to the Stock Exchange. Such meetings are securely held for the purpose of considering dividends. Official indications are not swellable as to whether the childpoids are inherine or trada and the subdivisions shown below are based melally on last year's timetables.

were growing in turnover and pre-tax profit terms at 28 per cent and 18 per cent respectively.

Interins Anabacher (H.) Botswana RST, Pearson, Hendell Sc., Rayon Group, Soustington (LW & SCE RM Stm. Pkd., Prints Correct, Royald Plastively.

Issued by The Law Debenture Trust Corporation p.Lc.

evidencing entitlement to payment of principal and

interest on deposits with

ECU 125,000,000

Floating Rate Depositary Receipts due 1992

Notice is hereby given pursuant to the Conditions of the Receipts that for the six months from 8th August, 1988 to 8th February, 1989 the Receipts will carry an interest rate of 77 1/16% per annum.

On 8th February, 1989 interest of ECU 39.29 will be due per ECU

1,000 Receipt, ECU 392.91 due per ECU 10,000 and ECU 3,929.16

Reference Agent

shishi Finance International Limited

FUTURE DATES ...

Souza Cruz

Souza Cruz, 75 per cent-owned Brazilian subsidiary of BAT Industries, reported net profits of Cz 6.68bn (£16.17m) for the six months to June 30 1988. With inflation running at a high level, the results will be significantly devalued when translated at the end of the year, directors said.

COATINGS & PAINTS

The Financial Times proposes to publish this survey on: Monday, 6th October, 1988

For a full editorial synopsis and ivertisement details, please contact BRIAN HERON

(fax 061 832 9248) or write to HIM at:

Financial Times
Alexandra Buildings
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This advertisement is Issued in compliance with the requirements of The Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any shares.

JMD Group plc (formerly John Michael Design PLC)

and the first section of the second INTRODUCTION

Later of Later Charles in to the Unifeted Securities Market

Share Capital

£652,500 ordinary shares of 2.5p each

JMD Group pic (the "Company") was formed by the merger of John Michael Design PLC and Capital & investment Securities PLC. The Company specialises in producing design concepts for retailers as an aid to marketing, graphic design, leisure design services and project management.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in all the ordinary shares of 2.5p each in the Company in the Unlisted Securities Market. It is emphasised that no application has been made for the securities to be admitted to the Official List. It is expected that dealings will commence on Thursday, 11th August, 1988.

Particulars of the Company are available in the Extel Statistical Services. Copies of such particulars are available during normal business hours on any weekday (Saturdays and public holiday excepted), for collection only, from the Company Announcements Office of The Stock Exchange until Wednesday, 10th August, 1988 and up to and including Monday, 22nd August, 1988 from:-

JMD Group pic 6-9 Cynthia Street -

71 Queen Victoria Street

*A member of The Royal Bank of Canada Group

London EC4V 4DE

Kitcat & Aitken & Co.*

Making pleasure his business

David Cohen on the policies behind the rise of Michael Ward

ICHAEL WARD was a thrusting merchant banker with a 13-year career in the City. Not one to indulge in relaxation, and more at home in the company of European financiers, Mr Ward was hardly the type to mix it with bouncers or bartenders.

But now, as executive chairman of European Leisure, the pubs and clubs group where recent acquisitions include the Camden Palace discotheque in London and Tito's Palace in Palma, Majorca, Mr Ward makes pleasure his business rather than business his pleasure.

In July 1987, he led a four-man management buy-in of Edendarry Shoes, a sleepy irish footwear manufacturer. The shares had never risen above I20p but news of the impending takeover (via a £3.5m three-for-one rights issue) sent the share price rocketing to 1200p. The intention was to use the 152.4m (£2.15m) company as a vehicle for expansion into the leisure sector. A year on, with two name changes and three acquisitions worth £26m under his belt, Mr Ward speaks excit-

rants and floating hotels.
"The highly fragmented and fast-growing leisure sector presents one of the few great opportunities left in the UK and Europe for business devel-

ediy about "formula" restau-

opment," he says.
The industry, he argues, is replete with extraordinarily with great creativity and drive - who identify wholly with con-sumer demands but lack financial and managerial expertise.

In the three acquisitions to date - Lanton Leisure, Camden Palace Group and the Newcas-tle business interests of Mr Michael Quadrini - the corpo-rate strategy has been to retain the vendors' entrepreneurial talents but supplement them with his own financial and administrative proficiency.

A career cutting across corporate finance and international banking with Morgan Grenfell, Samuel Montagu and

COMPANY NEWS IN BRIEF

a £14m joint development of

the 12.5 acre Welwyn Business Park in Welwyn Garden City. Burton will take the lead devel-

opment role and Hatfield the

design and construction. Work

products to the Middle East and the Caribbean. Initial con-

sideration of £500,000 will be

satisfied via the issue of 1.46m

new ordinaries of which 1.19m

have been conditionally placed

on behalf of the vendor. Fur-

ther consideration of up to £250,000 is dependent on profits for the 19 months to end-March

IFICO has conditionally agreed

to acquire, through its Nursing and Health Care Services sub-

sidiary, Roseland and Vered,

both nursing home operators. Consideration, based on net asset value at completion, is estimated at some £1.8m and

will be satisfied via the issue of

250,000 "B" ordinaries in N&HCS with the balance in

cash. IFICO will subscribe for

312,500 "A" ordinary shares in

IMRY MERCHANT Developers

yesterday announced that it had become the equal partner of Northern England Develop-



briefly, SG Warburg, has left Mr Ward, now aged 40, well equipped for the role. He can also call on his finance director, Mr Jeremy Howarth, friend from Cam-bridge days and fellow articled clerk at Peat Marwick, who left a position as Ladbroke group treasurer to help run European

The initial scheme was to develop a disco division throughout Europe as one of three legs to the business, the others being theme pubs and restaurants. Hotels offering a range of recreational attractions are now identified as a "fourth tramrail."

However, Mr Ward plans to develop the three cash genera-tive legs before moving into the capital intensive hotel

industry.
"Floating hotels," he says, "cost one tenth the price of a landed hotel, and provide a natural extension to the leisure boat concept of the SS Tuxedo Princess developed by Mr Quadrini." The shoe manufacturing

operation, which in the year to June 30 1987 eked out a pre-tax profit of I£115,000 on turnover of I£4m, has never featured in

on 600 acres near Ashford,

Kent. NEDA has been seeking

planning permission from the Ashford Borough Council.

MOWAT GROUP, working

with Hertford Developments on a one-third profit sharing basis, has acquired a 4.23 acre

site in Hertford to develop into a business park. The site was bought for £3m from Tarmac

Properties. Mowat's recent rights issue was taken up as to

15.13m shares (97.73 per cent).

NORISH (irish/Norwegian fro-zen food group): Of the offen offer of 1.2m new ordinary

shares at 1286p (247p) per share shareholders entitled to 744,107

gave undertakings not to take

up their entitlements to enable these shares to be placed. Of the balance about 92 per cent of the 459,893 available under

the offer were taken up, the remainder being placed with institutions and private clients.

NORTH BRITISH Steel: The

recommended cash offer made for it on behalf of Aurora has

been accepted in respect of

3.06m (60.1 per cent) ordinary

shares. Acceptances and pur-chases amount to 4.03m (79.11

per cent) ordinary and the offer is now declared uncondi-

REDLAND intends to repay the

outstanding £2.3m nominal of 7.5 per cent redeemable deben-

ture stock 1990/95 at £96 per £100 nominal together with

accrued interest.
RIGHTS AND ISSUES Investment Trust: Net asset value at

June 30 on capital shares

340.6p (296.4p) and on income

ment Company reported net

revenue for six months to June 30 of £2.57m (£1.89m). Earnings

were 1.15p (0.85p) and the sec-ond quarter dividend is 0.59p (0.51p). A first quarter dividend of 0.56p (0.5p) has already been declared.

Kansallis-Osake-Pankki

U.S. \$100,000,000

Floating Rate Capital

Notes 1992 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the next Interest Period has been fixed at 8%

interest rest has been anced at open cent per annuan. The coupon amount will be U.S. \$226.04 for the U.S. \$5,000 demonstration and U.S. \$11,302.08 for the U.S. \$250,000 denomination and will be payable on oth February, 1989 against surrender of Coupon No. 10.

Manufacturers Hanovee Limited

(A MERCER OF THE SECURITIES ASSOCIATION

Agent Bank

Michael Ward: has no difficulty in communicating with leisure

types.

the group's long-term plans. "We would hope to divest at the right price to a suitable buyer in the next 12 months," he says. Immediate plans include

opening two more discos and introducing a "concept" pub on a yet undisclosed theme — in Scotland. "I would be bit-terly disappointed if in five time, turnover was not well in excess of £150m." Mr Ward is keen to dispel

the image of a stuffy City executive, describing himself as "an entirely self-made man, the central energiser of the group, and a businessman first and "I was born without a silver

spoon in my mouth and used my after hours to finance many tens of property deals entirely on borrowed funds." An "iron determination to get out from under" made him a millionaire before the age of 30. This street-wise approach is

evident in the hands-on style of management he brings to European Leisure. "You'll find me routinely at Camden Palace or Tito's - I'm twisting and shouting but I'm also talking and listening and more than anything, I'm observing. I

European Leisure Formerly Edenderry Shoes Share price (IR £) 25 20 1.0 0.5 0.0 1987

really have no difficulty in communicating with leisure

This ability with "leisure types" stuck in the mind of at least one broker who accompa-nied him to one of his nightspots. "Seeing him in his discos, watching him interact with doormen and bartenders there was very little of the City man in evidence. Instead, I saw someone with a genuine enthusizsm for people and the busi-nesses they were running."

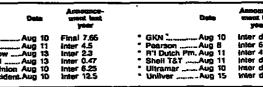
But European Leisure has not yet grabbed the attention of the City. For the year to June 30 1989, the first in which acquisitions will make a full contribution, the Dublin-based National & City Brokers forecasts pre-tax profits of about £2.8m, sharply higher than the £1m expected to be reported

shortly for 1997-88.

The decision to buy into a public company and build up a leisure operation was spurred by the turbulence in the post-Big Bang financial markets. Now, 17 months after divulging his plans to Mr Howarth - at an England v France rugby union international at Twickenham he admits to a certain delight in running his own ship.

What about time for leisure? Yes, he enjoys the beach, but eventually he starts getting tense, he confessed as he rushed for a lunch appoint-ment with his "dance partner" she just couldn't be kept

PENDING DIVIDENDS





RICKETT & CO LIMITED

HAS MOVED TO

BROOK HOUSE 98/99 JERMYN STREET LONDON SWIY 6EE

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FAX 01 321 0230 TELEX 8955639 CHAND

CORPORATE COUNSELLING FINANCIAL ASSET MANAGEMENT SECURITIES ADVISORY SERVICES

MEMBER OF THE SECURITIES ASSOCIATION LIMITED CORPORATE MEMBER OF THE INTERNATIONAL STOCK EXCHANGE

shares 99.3p (89.3p). Net revenue for six months to end June £88,834 (£72,676). Interim dividend 1.3p (1.2p). SCOTTISH AMERICAN Invest-

Standard Chartered PLC

Standard & Chartered

(Incorporated with limited liability in England) US\$400,000,000 Undated Primary Capital

Floating Rate Notes In accordance with the provisions of the Notes,

notice is hereby given that for the Interest Determination period from 8th August, 1988, to 8th September, 1988 the Notes will carry interest at the rate of 8¾ per cent. per annum.

Interest accrued to 8th September, 1988 and payable on 6th January 1989 will amount to US\$75.35 per US\$10,000 Note and US\$753.47 per US\$100,000

Standard Chartered Merchant Bank Limited Agent Bank

	Financial times stock indices							
	Aug. 4	Aug. 3	Aug. 2	Aug.	յսխ. 29	High	988 Low	
Ì	88.37	87.98	88.02	87.98	87.94	91,43		

Ш	l		AU9.	AUG. 4	AUG. 3	Aug. 2	AUG.	July. 29	High	1988 Low	Since Co High	mpriation Low
H	Govern	me <u>nt Secs</u>	88.35	88.37	87.98	88.02	87.98	87.94	91,43	86,97	127.4	49.10
11	Fixed	nterest	97.77	97.68			97.58	97.57	98.67	94.14	105.4	50.5
11	Ordina	ry	1512.8	1508.5	1502.0	1401.4	1496.5	1488.71	1512.8	1349.0	1926.2	49.4
П	Gold M	ines	200.4	199.1	197,8	198.3			312.5	195.4	734.7	43.
!!	FT-Ac	Ali Strare	978,32		972.14	966.77	969.89	965.18	978.32	870.19	1238.57	61.92
ji	न-इट	100	1875.9	1869.7	1865.1	1855.55	1862.2	1853.6	1879.3	1694.5	2443.4	986.9

Issue of up to U.S. \$75,000,000

U.S. \$40,000,000 having been issued as the initial tranche and U.S. \$20,000,000 having

For the period from August 8, 1988 to November 7, 1988 the Notes will

By: The Chase Manhattan Bank, N.A. London, Agent Bank



KENT

2nd September 1988

For a full editorial synopsis and advertisement details, please

Rachel Fiddimore on 01-248 8000 ext 4152

or write to her at:

10 Cannon Street London EC4P 4BY

HATFIELD ESTATES and Burment Associates in plans for a ton Property Trust have agreed mixed property development

existing management for a six design and construction. Work figure sum. design and construction. Work figure sum. design and construction. Work is expected to begin in October. HOBSON has agreed to acquire the homecare products business of Sharpsiow Chemical, which supplies own brand products to the Middle East and the Caribbean. Initial construction. Work figure sum.

SPAREKASSEN

sds

Sparekassen SDS

been issued as a subsequent tranche

bear interest at 8% % per annum, U.S. \$2,132.81 will be payable on November 7, 1988 against Coupon No. 11.

August 8, 1988



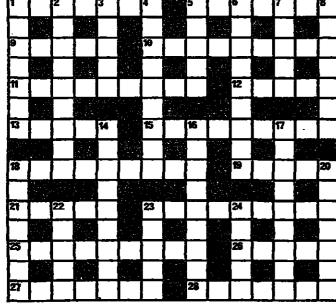
The Financial Times proposes to publish this survey on:

contact:

Bracken House

FINANCIAL TIMES





- 1 Successful action includes
- vicar returning in camouflage! (5-2) 1 lage: (5-2)
 5 First sign of arthritis the doc treated; there'll be a charge (7)
 9 Lubricated and worked the

- 5 Lubricated and worked the top off (5)
 10 For delivering the message "Show the flag"? (9)
 11 This theatrical notice could be a disappointment (5,4)
 12 Ruptured a vein producing spots on the skin (5)
 13 Flower opening after a short time (5)
- time (5)
 15 Policy that provides confi-
- dence (9)
 18 Cleaning agent put off cul-tured man (9)
- tured man (9)

 19 The province of birth (5)

 21 A letter to the doctor takes a certain shape (5)

 23 Ten tens one thousand?

 Wrong! It's just a thought
- (9)
 25 The voice arguing against the officer's nothing (9)
 26 Some immediately ruin a
- new item; that's senseless
- (5)
 27 Crops can be begged for by society (7)
 28 It's strange the English in the dry can be so unsteady

- 1 One can get booked on this work (7)
- 2 A case that's all about food (3-2-4)
 3 Intricate grid the east raised
- 3 Intricate grid the east raised on a fabric? (5)
 4 Take for granted mail's usually initially delayed (9)
 5 Animal taking more than half a shruh (5)
 6 Rudimentary cricket providing much movement in field? (3.3.3)
 7 Gas from the oxygen group (5)

- (5)
 8 Before "Time!" is hailed he goes into hiding (7)
 14 Course? Change course to
- 14 Course? Change course of fruit (9)
 16 A useful tree rested in the forest (9)
 17 Excited "doer" meant to see this well-known sight (5.4)

- this well-known sight (5.4)
 18 Orders runs (7)
 20 Many a man surrenders right to get a draw (7)
 22 One who has partly to show nerves (5)
 23 How to describe fuel? That's hard (5) hard (5) 24 Epic in Virgil I admire (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday August 20.

Carabilli Unit Trust Magrs Ltd (1000)F
PO Bru 136, Becknolum, Kust BP3 CRC, 01-659, 941
UK Eagity Mc. \$35.58 57.40 61.06; 35.6036
UK Eagity Acc. \$35.57 59.58 63.38 3.5.6036
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GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust information pages is being expanded to improve the service to readers and to conform with new legislation. INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchases. These charges are included in the price when the customer buys units. IFFER PRICE.

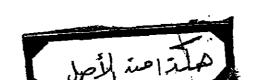
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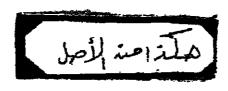
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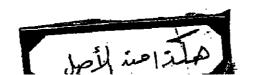
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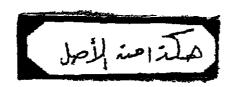
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Fived ce PLC Grand Accidents Fd. 1822.6 318.6 1 Construct Research Lintered Life Ass 2 Resides Street, York VI 184.8 141.6 141.6 Ass 2 Resides Street, York VI 184.8 141.6 141 371.9 542.2 259.8 314.2 265.3 148.2 276.1 877.4 658.2 391.0 - 1233 - 4533 9711 310.4 6411 768.6 128.4 128.4 129.4 149.3 165.7 102.0 508.7 1022.3 526.8 727.5 419.9 251.2 125.2 125.8 113.0 115.0 115.0 115.0 115.0 115.0 115.0 115.0 115.0 - 41423 - 41625 - 41625 - 41626 - 41626 - 41629 - 41632 - 41632 - 41632 - 41632 - 41632 - 41632 - | 42072 0483 58151 - 42074 - 42074 - 42074 - 42074 - 42074 - 42074 - 42074 - 42087 - 42081 - 42081 - 42081 - 42081 - 42081 - 42087 past. 335.0 198.5 E COMPANY LE COMPANY L 01-740 7078 Dealing 01.493 8645 American Draw 3 40.25 41.25 43.24 7.28 (2018) American Draw 3 40.25 41.25 41.25 41.25 (2018) American Units 3 41.25 41.25 41.25 41.25 (2018) American Units 3 41.25 41.25 41.25 41.25 (2018) American Units 3 41.25 41.25 41.25 41.25 (2018) American Draw 5 40.01 44.31 100 b 0 42 (2019) Account Units 3 49.49 41.31 100 b 0 42 (2019) Account Units 3 49.49 41.31 100 b 0 42 (2019) Account Units 3 47.01 47.28 50.41 19.40 (2018) Account Units 3 47.40 14.40 (2018) Account Units 3 47.40 14.40 (2018) Account Units 3 47.40 (2018) Account Units 47.40 (2018) Account Units 47.40 (2018) Account Units 47.40 (2018) Account Units 47.40 (2018) Accoun 183.4 121 200.1 433 182.5 178.8 2163.2 178.8 2163.2 178.8 27.5 337.6 373.1 119.5 | 165.7 | 111.3 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111.5 | 111. 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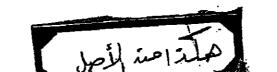


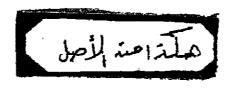


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CURRENCIES, MONEY AND CAPITAL MARKETS

FÖREIGN EXCHANGES

Dollar's fortunes look better in the short term

EMS EUROPEAN CURRENCY UNIT RATES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

3.373 47.77

2988 4575

5.299 16.12

226.3 133.7

70.61 1000.

62.55 95.77

110.9 337.5

1.6925 · 1.6925 2.0990 · 2.0490 3.614 · 3.624 67.90 · 67.10 12.164 · 12.174 1.1990 · 1.1910 3.204 · 3.204 257.75 · 28.75 210.20 · 210.50 23624 · 23634 21.58 · 11.59 10.944 · 10.954 22.40 · 22.43 2.40 · 22.43 2.40 · 22.43

+2.80 +0.87 +1.30 +1.85 +1.54 +0.81 +3.70

THE DOLLAR finished last week on a very firm note, and is likely to start in a similar and only just holding above week on a very firm note, and is likely to start in a similar vein today, as attention moves towards the US Treasury's auction of \$11bn three-year notes tomorrow and the same amount of 10-year paper on

A similar, but smaller event takes place in the UK on Wednesday, with an auction of £750m of 8.5 p.c. Treasury 1994

stock.
The dollar, already underpinned by strong economic growth and expectations of higher US interest rates, may also benefit from foreign demand at the Treasury auctions.

Sterling, on the other hand,

vulnerable to a turn round in the fortunes of the depressed

D-Mark.
There are not many economic releases this week, but dealers are likely to take an interest in the Japanese trade plus in July is likely to be \$6.3bn, compared with \$5.9bn in June. Morgan Grenfell fore-casts a surplus of \$6.5bn. This will not have any direct bearing on part week's US

help show the general trend in the trade flow.

Economists still tend to believe the improvement in the US trade position will be short lived.

In its monthly international financial outlook Lloyds Bank says that the US budget and trade deficits will fail to

DM1.60 by June next year. Guidance on the level of world inflation will be provided today by UK producer prices for July, and on Friday by US producer prices for the same month same month.

same month.

These will be watched for any implications of rising inflationary pressure, but in general the figures are expected to be encouraging.

According to a survey by MMS International output prices are expected to show an unchanged rise of 0.3 p.c., and consonably adjusted input

seasonally adjusted input prices are likely to rise 0.6 p.c. in July, compared with 1.8 p.c.

are likely to have slowed. because of weaker oil and metal values.

Commodity prices in dollar terms fell 9 p.c. in July, but this was partly offset by a decline in the value of sterling against the dollar. In sterling terms the net fall in prices was around 5.5 p.c.
Warburg Securities suggests that in the current climate of

fear about rising inflation a worse than forecast input fig-ure is likely to cause disappointment on the financial

Warburg also warns that forecasts are liable to greater error than in previous months, because of a change in the

US producer prices are expected to show a rise by 0.5 p.c. in July, compared with 0.4 p.c. in June, to give a year on year increase of a fairly modest 2.5 p.c.

Stockbroker Phillips and Drew believes that price infla-tion is being held down artifi-cially in the US because of the the drought affecting the food producing area of the Mid-West.

This seems somewhat perverse, but is caused by the forced slaughter of many animals, putting downward pres-sure on meat prices.

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TOTAL VOLUME IN CONTRACTS: 49,575 8-8K

£ IN NEW YORK

Aug.5	Close	Previous Close
£ Spot	1.6890 - 1.6900 0.34 - 0.31pm 1.04 - 1.01pm 3.32 - 3.22pm	1.7065-1.7070 0.34-0.33pm 1.04-1.01pm 3.32-3.22pm
Forward premio	uns and discounts ap	gly to the US dally

STERLING INDEX

•	Asg.5	Previous
8.30 am 9.00 am 10.00 am 11.00 am Noon 1.00 pm	76.6 76.5 76.6 76.5 76.5 76.5 76.5	76.6 76.6 76.6 76.6 76.6 76.6 76.5 76.6
2.00 pm 3.00 pm 4.00 pm	%3	76.6 76.6

CURRENCY RATES

COUNT	OURTHUI MAILS								
Aug_S	Bank rate %	Speciat ^o Drawing Rights	European Currency Unit						
Sterling U.S. Dollar Camadian S Austrian Sch. Belgian Franc Dautsche Mark Neth, Gollider French Franc Hallan Lira Japanese Van Howay Krone Spanish Krone Spanish Krone Spanish Franc Greek Drack Irist Paut "All SDR rates	655 377 734 912 2012 8212 8212 8212 8212	0.758487 1.2762 1.56402 1.71221 51.0127 9.25398 2.43693 2.75290 8.22367 1.798.99 1.72.233 8.62576 1.602.99 1.902.72 1.906.72 1.906.72 1.906.72 1.906.72	0.64923; 1.10791 1.32581 14.6444 43.6462 7.92047 2.08531 2.35509 7.03197 1538,45 147,403 7.55320 7.13773 1.13773 1.13773 1.1377 0.774603						

CURRENCY MOVEMENTS

Aug.5	Bank of England Index	Morgani ^a Guaranty Changes %
Sterling U.S Dodlar Casadian Dollar Asstrian Schilling Belgian Franc Daulst Knose Destsche Mark Swiss Franc Gullder Fresch Franc Lira Yen	76.3 99.2 85.8 132.8 97.3 88.9 142.7 165.6 131.2 68.7 44.9	-15.5 -9.5 -1.6 +9.6 +0.4 +0.4 +20.1 +20.1 +12.7 -14.9 +78.2
Morgan Goaranty	changes: a	werage 1980-

OTHER CURRENCIES									
Ану.5	£	5							
Argentina	20.2165-20.3640	11 9200 - 12 0000							
Australia Brazii	21165 - 21195 421.50 - 423.75	1,2435 - 1,2445 248,60 - 249,85							
	7.5355-7.5370	4 4500 - 4 4520							
Greece	255.55 - 259.50 13.2435 - 13.2595	149.70 - 152.20 7.8060 - 7.8080							
1739	121.50	70.20°							
	1229.55 - 1239.45 0.48040 - 0.48090	720.40 - 726.20 0.28270 - 0.28280							
Lucembourg	67.00-67.10	39.55-39.65							
Malarsia	4.4695 - 4.4810	2.6390-2.6410							
	3872.50-3887.70 2.5625-2.5675	2284.00 - 2292.00 1.5055 - 1.5070							
Saudi Ar	6.3730-6.3785	3.7500 - 3.7510							
Stegapore S. Af (Cro)	3.4645 - 3.4710 4.1730 - 4.1855	2.0460 - 2.0480 2.4670 - 2.4690							
S AFFER	5.0005 - 4.1070	2 5400 - 3 4035							

AGAINST STERLING									
	Spot	nub nub	miles	6 mtbs	12 qubs				
US Dollar D-mark	1.6930 3.2050	1.6898 3.1905		3.1211	3.047				
French Fr. Swiss Fr.	10 805 2,6750 27750	10.802 2.6597	10.7% 2.6290	10.789 2.5880	10.77 2.530				

	Spot	min.	miles	mths	quibs
US Dollar D-mark	1.6930 3.2050	1.6898 3.1905	1.6828 3.1609	1.6746 3.1211	1.6603 3.0473
French Fr. Swiss Fr. Yea	2.6750 2.6750 226.25	10.802 2.6597 225.11	10.7% 2.6290 222.84	2 5880 2 19.61	25302 213.69
السمية					

DM3.20. The pound looks particularly

figures on Wednesday, if only because they may provide some indication of whether the US trade balance will improve.

According to Nomura Research Institute there is unlikely to be much comport in the Japanese Egures of the non-

the Japanese figures. The non-seasonally adjusted trade sur-

Changes are for Ecu, therefore positive cha

bearing on next week's US trade figures for June, but may

short-lived

improve fast enough to sustain confidence in the dollar. Lloyds Bank forecasts that the dollar will fall to Y113 and

in June. Price rises of raw materials

9c. 140 222 322 450 622 837 9.99 0st 6.79 5.07 3.62 2.50 1.75 1.12 0.68 7.57 6.02 4.70 3.58 2.69 2.02 1.45 Acq 6.05 6.16 0.74 2.03 4.16 6.50 8.95 \$ep 4.76 2.10 0.75 0.09 0.01 0.05 5.20 3.69 2.02 1.03 9.44 0.20 Se 0.88 1.50 2.42 3.77 5.48 7.43 9.58 282 374 4,91 6,25 7,82 11,42 11,42 est Califo NA Poes NA est Califo Add Raes 201 LIEFE FLAF DUBEY PRIVATES OFFICES LIFFE US TREASURY BOND FUTURES OFTENS

LIFTE LANG CILT PUTURES OPTIONS

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Strike Price 155 160 175 180 185	Clib-st Any 1455 955 458 103 6	See 1455 955 528 82 21 4	Pats-st Aug 0 0 111 156 559 1053 1553	Sep 5 30 120 330 674 1113 15%	Strike Price 9050 9075 9125 9125 9175 9200	Calk-reu Sep 97 73 49 28 12 4 2	0ec 77 59 43 30 19 12
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Clase High Low Pres, 187,65 188,40 187,40 186,90 189,25 190,10 190,00 188,50

Estimated Volume 20642 (21.747) Previous day's open lat., 45445 (44237)

zted Volume 1233 (1967 us day's open Int. 9829 (19745)

Estimated Volume 16278 (6085) Previous day's open int. 7338 (7635) CURRENCY FUTURES

LIFFE-STERLING 125,400 5 per E

The central bank also pro-

vided money for the banking

system through currency

swaps on Friday, in an appar-

One Year

CHICAE U.S. TREM 5100,000 J	20 1017 80105 1245 et 189	(181) 27 %		
Sep Dec Mar Jun Sep Dec Jun Sep Dec Mar	Cox 86-25 85-15 84-27 84-23 81-07 82-34 82-35 81-15	High 87-28 87-03 86-12 85-03 84-01 83-07	86-19 85-30 85-11 84-23 84-25 81-18 83-05	87-25 87-01 85-23 85-04 84-17 84-18 83-04 82-22 82-09
115. TREA	HINY MILLS	UH)		

92.72 92.72 92.67 92.58 92.58 92.57 92.57 92.51 92.03 92.79 92.73 92.62 92.24

272.90 275.20 277.70

BASE LENDING RATES

	%	9	6	%
BH 820k	1612	City Merchants Bank 1	97	HatWestrobuster 101 ₂
dam & Company	1012	Chydesdale Bank	ᅋ	Northern Bank Ltd 10½
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Ulied Irich Bank	105	Co-operative Bank *10	05	PRIVATbanken Linzited . 10%
leary Aastracher		Courts & Co 11	DJ.	Provincial Bank PLC 115
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esociates Care Corp		Dembar Bank PLC 10	Ď,	Ruscharghe Grantee 11
uthority Bank		Doecan Lawrie	D-	Rosal Bik of Scotland 10%
& C Merchant Bank	10%	Equatorial Bank plc 10	11,	Royal Trust Bank 1012
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lank Happalian				Standard Chartered 1012
Sank Learni (UK)				
Szek Credit & Conntr	105	● Robert Fleming & Co 1	96	UDT Mortgage Exp 411.45
bank of Oppras	105	Robert Frases & Pters 11		
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rit Ric of Mid Fact	105	C. Hoare & Co	15	• Members of British Merchant
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antes Canital	101	Markeni Rank I tel 10	N.	Install arrest 0 feet & Mariana have

FT-ACTUARIES WORLD INDICES

rate. § Demand deposit 5.5%, Mortgage 10.875% - 11.25%

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		FRIE	AY AUGUST	5 1988		THUR	THURSDAY AUGUST 4 1988			DOLLAR INDEX		
Figures in parentheses	US	Day's	Pound	Local	Gross	US	Pound	Local	 	T		
show number of stocks	Dollar	Change	Sterling	Currency	Div.	Dollar	Sterling	Currency	1988	1	Year	
per grouping	index	%	Index	Index	Yield	Index	Index	Index	H3gh	1988 Low	(approx)	
Australia (89)	149.87	+0.6	131.25	124.01	3.60	149.00	129.19	123.24	150.71			
Austria (16),,,	85.37	-0.9	74.76	83.86	2.48	86.13	74.68	84.00		91.16	153.85	
Belgium (63)	1 113 38	-0.2	99.29	111.98	4.51	113.60	98.49	111.50	98.18	83.72	95.31	
Canada (129)	123.33	-0.3	108.00	107.70	3.11	123.70	107.25	107.93	139,89	99,14	126.40	
Denmark (39)	1723 668	-1.1	108.31	120.95	2.40	125.02	108.39	107.93	128.91	107.06	139.05	
Finland (26)	12924	-0.4	112.32	119.81	1.44	128.73	111.61	121,49 119,99	132.72	111.42	112,51	
France (129)	91.96	-0.8	· 80.53	92.07	3.52	92.72	80.39	92.21	139.53	106.78	1 -	
West Germany (100)	1 74 GO	+0.0	65.61	73.73	2.51	74.94	64.97		99.62	72.77	104.78	
Hong Kong (46)	108.60	+0.0	95.10	108.85	4.22	108.58	94.14	73.24	80.79	67.78	101.32	
! . ireland (18)	137 94	∸0.5	115,54	130.60	3.65	132.59	114.95	108.80 130.46	111.86	84.90	141.60	
Italy (102)	71.95	-0.9	63.00	75.01	2.68	72.58	62.93	75.18	144.25	104.60	131.88	
Japan (456)	166.36	-0.8	145.69	140.55	0.51	167.64	145.34	73.18 140.94	81.74	62.99	90.30	
Malaysia (36),,	153.69	+0.5	134.59	156.27	2.35	152.88	132.54	155.38	177.27	133.61	135.35	
Mexico (13)	156.65	+0.5	137.18	391.86	1.39	155.94	135.20	390.10	153.69	107.83	192.55	
Netherland (38)	106.39	_0.5 ·	93.17	103.80	4.45	106.92	92.70	103.57	180.07	90.07	291,07	
New Zealand (21)	81.19	`−0.5 t	71.10	64,94	5.82	81.56	70.72	65.04	110.66	95.23	127,44	
Norway (25)	119.67	-0.5	104.80	111.14	2.71	120.28	104.28	111.02	84.05	64.42	113.39	
Singapore (26)	134.57	+0.3	117.84	126.94	2.05	134.19	116,34	126.58	132.23	98.55	164.25	
South Africa (60)	115.00	-0.8	100.71	89,78	4.72	115.95	100.53	90.52	134.63 139.07	97.99	171.08	
Spain (43)	147.97	-0.4	129.58	139.34	3,24	148.57	128.81	139.00	164.47	113.61	184.88	
Sweden (35)	118.44	-0.6	103.72	113.44	2.52	119.12	103.28	113.53		130.73	139.23	
Switzerland (55)	78.87	+0.5	69.06	77.25	2.22	78.44	68.01	76,28	125.50	96.92	120.97	
United Kingdom (325)	132.85	-0.7	116.34	116.34	4.32	133,74	115.96	115.96	86.75	75.60	104.3B	
USA (580)	110.50	-0.4	96.77	110.50	3.57	110.90	96.15	110,90	141.18 112.47	123.09	142.36	
Europe (1014)	105.54	-0.5	92,42	98.67	3.67	106.08				99,19	131,79	
Pacific Basin (674)	163.44	−ŏ.7	143.13	138.55	0.71	164.59	91.97	98,37	110.82	97.01	120.50	
Euro-Pacific (1688)	140.29	-0.6	122.85	122.66	1.61	141.19	142.70	138.88	172.26	130.81	136.24	
North America (709)	111.18	-0.4	97.36	110.35	3.54	111.57	122.41 96.73	122,74	147.53	120.36	130.00	
Europe Ex. UK (689)	88 59	-0.4	77.59	87.69	3.10	88.93	第:3	110.73	113.29	99.78	132.18	
Pacific Ex. Japan (218),	128.27	+0.3	112.33	113.63	3.79	127.83	110.83	87.43	92.99	80.27	106.94	
World Ex. US (1890)	139.46	-0.6	122.13	121.94	1.68	140.35	121.68	113.18	128.27	87.51	147.2B	
World Ex. UK (2145)	127.80	-0.5	111.91	118,12	2.09	128.48	111.39	122.04	246.49	120.26	131.02	
World Ex. So. Af. (2410)	128.31	-0.5	112.36	118.13	2.28	129.01	111.85	118.38	131.77	111.77	130.20	
World Ex. Japan (2014)	109.95	-0.4	96.29	106.43	3.61	110.37	95.69	118.33 106.52	132.39 112.43	113.26	130.93	
The World Index (2470)	12B.23	-0.5	112.29	117.94	2.29	128.93				100.00	129.36	
							111.78	118.14	132.38	113.37	131.27	
Base values: Dec 31, 1986 = 100; Fi Copyright, The Financial Times, Golder CONSTITUENT CHANGES: Deletions;	our Carbe &	CO WOOD B	IJEKROZIA Z. CA	1 04 1007				way).				

MONEY MARKETS

A tale of two cities

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1.566 0.632

0.468 0.716

0.830 2.525

2965 1198

0.886 1.356

1.571 4.780

Yea per 1,000: French Fr. per 10: Litta per 1,000: Belgian Fr. per 100.

LONDON INTEREST rates were little changed last week, but edged up nervously on Friday as sterling weakened.

This encouraged speculation that the Bank of England will move quickly to lift base rates if a weakening of the pound against the D-Mark provides an

opportunity. Mr Nigel Richardson, at Warburg Securities, said he believes the July money supply and bank lending figures could start to influence the financial markets this week, even though the figures will not be

published until the Thursday of next week. He added that rumours are already beginning to circulate in the City of some fairly

UK clearing hank base leading rate 10½ per cent from July 18

alarming figures, with M0 remaining above its target range, and M4 lending hitting a record level. Warburg is expecting a M4 lending figure

(11.00 a.m. Aug.5) 3	montles US o	olias	6 months US	Doltars	
bid 84	offer (BA	bid 8 ₄	ofter	84
gooted by the market to five re Bank, Bank of Tokyo, Destsch	ereoce banks e Bank, Bank	at 11.00 a. pe Nationa	pearest one-strucenth, of the bid as m. each working day. The banks a if de Paris and Morgan Governaty REASURY BILL	re Maillocal Trust.	West-inter
	Aug.5	July 29		Ang.5	July.29
Bills on offer Total of applications Total allocated Mailmon accepted bid Allotment at colaimon level	£100m £564m £100m £97.450	£452m	Average rate of discount	10 22203	10.3283% 10.2638 10.5333% £100m
WEEKLY CH	ANGE	IN W	ORLD INTERES	TPA	TES

FT LONDON INTERBANK FIXING

BANK OF	ENGL	AND T	REASURY BIL	L TEN	DER
	Atang.	5 July 29		Ang.5	July-29
Bills on offer		en 5452m m £100m 50 £97.425	Top accepted rate of discount Average rate of discount, Average yield Autount on offer at next tend	10 2220	%10.32837 % 10.2638 %10.53337 £100m
WEEKLY C	HANG	E IN V	ORLD INTER	EST RA	\TES
FONDOM	Aug.5	change	NEW YORK	Aug.5	change
Base rates	10½ 10¼ 103 10.2220	-0.0418	Prime rates	910 712 7.16 7.59 8.225	Vectrd Vectrd -0.03
Treasury Bill Tender	107	Unch'd Unch'd Unch'd Unch'd	3 Mth. Treasury Bills 6 Mth. Treasury Bills 3 Mth. CD	7.59 8.225	-0.08 +0.050
Band 4 Bitls	101 101 101 104	Unch'd	Core math. Intertweek Three month	5.00 4.875 4.975	Undirif +0.200 +0.200
3 filth. Bank Bills	10ki 4,03125 4,09375	+∡ Coudre	PARIS barrosation Rate	6.75 74 74	Unctrd -å
BRUSSELS Que counth Three month AMSTERDAM	6¼ 7 <u>4</u>	4	Milan One month	107 114	Unch'd
Ope month	5½ 5½	(Jach'd † Å	Directionsh	発	7

of around £9.5bn.

lars; two years 9½,-9 per cent; three years 9½,-9¼, per cent; fear years 9½,-9¼, per cent; fine nonelook. Short Lerm rates are call for US Dollans and Japanese Yen; others, two days' notice.

2.675 1.580

0.835 11.82

0.739 1.132

1.311 3.990

3.61B 2.137

1.129 15.99

3.347 1.353

1.531

2.040 1.205

0.637 9.015

if London rates are set to move higher, it at least appears that the rise in Frankfurt rates may have run its course.

The West German Bundesbank increased its securities

ent move to prevent call money rising to the Lombard emergency financing rate of 5 repurchase agreement rate by another 0.25 p.c. to 4.25 p.c. at last week's tender, but calmed market nerves about a further tightening of credit policy, with an adequate allocation of

Dealers regarded this as a sign that the Bundesbank is content with the present level of interest rates, although another bout of D-Mark weak-ness may lead to a change of MANEY DATES

		IUNE	HAI	E3		
NEW YORK			Treasury	Bills and	Boads	
(4pm)		One month		5.96 Three	ytar	859
Printe rate	91 ₂ 1	Three mouth Stamonto Dat year Two year		7.15 Fire) 7.60 Sees	##	8.79 8.97
Aug.5	Oversight	Çae Month	Two Months	Three Months	Str Monto	Lombard Intervention
Frankfurt Paris Zurich Amsterdam Tokyo Millan Brussels Doblin	4,90-5.00 68-71 15-14 5-54 3,84575 10-10-7 7-20 74-7-2	5.00-5.15 7.4-7.2 3-3.4 5.3-5.3 4.0125 103-114, 68-68 71,-74	5.05-5.20 72-72 72-74	5.10-5.25 74-73 34-33 54-54 4.935 11-11- 7-74	530-550 7%-7%	5.00 6.75
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<u>. </u>	<u> </u>	611	74	72	72
	II); este-month cent; three month of Copy Pixed is d August 24,19	ill); one-month 10 per cent cent; three months 10 kg ECGO Fixed Rate Sterior d August 24, 1988 to Sept deference rate for period	10-5 10-6 10-6 10-6 10-6 8.05-8.00 6-5 6-7 6-7 6-7 6-7 6-7 6-7 6-7 6-7 6-7 6-7	10.4 10.4 10.4 10.4 10.4 10.4 10.4 10.4	10 2 10 1 10 2 10 2 10 2 10 2 10 2 10 2

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Longie & Co.

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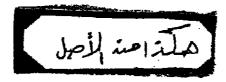
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T ISSUES

STOCKS



WORLD STOCK MARKETS



Nasdaq national market, 2pm prices August 5

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In search of the global consumer

ROM financial services to toothpaste, "globali-sation" has become the business religion of the late 1980s. But when vastly different industries rush to embrace a one-word credo, some scepti-

cism is in order.

The globalisation church has two main pillars. One is the belief that, as industrialised economies grow more interdependent, their markets are becoming more alike. The other is the quest for higher volumes, dictated by shorter product cycles and rising development and marketing costs, and for protection against currency instability. The logical way forward, it is accorded is to deploy products. argued, is to deploy products, services and skills widely

across world markets.

A few companies, such as IBM. Coca Cola, Mars, Hertz, American Express and Sony have established uniform brands which command instant recognition worldwide and are among the leaders in every major market. But most did so decades ago. It is not obvious that things have got easier for newcomers.

Financial markets may be becoming global, but efforts to build global securities firms equally strong in New York, Tokyo and London have yet to pay off. Some newspapers, including the FT, are published Internationally. But their editorial flavour is still too home-brewed and their foreign market share too modest to call them truly global. Many companies find the

closer they get to the "global" market, the more it divides into many different sub-markets. That can unhinge strategies which seek scale econo-mies through standardisation. Ford's "world car" project in the 1970s ended up producing US and European versions with few shared components.

True believers argue that consumer tastes worldwide are converging due to improved communications and international mass-media marketing. They contend that global brands will gradually squeeze out marginal competitors. But out marginal competitors. But | Morita says European compa-because the investments and nies have only harmed themrisks involved are huge, the approach may be open to relatively few, large companies and brands in each sector. Increased sameness looks like the outcome.

The importance of novelty and choice

The approach may work for staple products like soap pow-der. But for discretionary spending, novelty and choice may be more important to the consumer. International expansion by small Belgian chocolate makers and the rise in the US of "specialty retailers" suggest that the fastest growth may come from offering something different. Some US chains may owe their recent decline to loss of novelty value once they went nationwide.

Some globalisation apostles prefer to focus on selected market segments rather than products, arguing that the tastes and lifestyles of groups of prosperous professionals in the world's large cities are remarkably similar. But the "global yuppie" may prove a fickle customer.

As the late Fred Hirsch argued, the more affluent the consumer the greater his demand for "positional goods". distinguished by their rarity value. If the stock of such goods is finite - Van Gogh paintings, for instance -demand can never be fully met. But if they merely seem exclusive, they can often be vulgarised for a wider market. Will the Filofax enjoy quite as much cachet now it is standard for a wider for the filofax enjoy quite as much cachet now it is standard for a wider for a filosoft. dard issue for Arthur Scar-gill's miners?

Another version of that dilemma faces many Japanese companies, as they try to diversify into higher valne-added products in response to the strong yen. Not only is there limited room at the top; but insofar as Japan's strength lies in turning what were once luxuries into commodity products, its successes are likely increasingly to invite competition from low-cost imitators.

The Japanese may find their own typically ingenious response to that challenge. Others should perhaps ask themselves whether "globali-sation" is so alluring because it really meets the needs of consumers - or because it appears a ready-made solution to the problems of producers.

Guy de Jonquières

THE MONDAY INTERVIEW

Business Calumn Not toeing the narty line party line

Stefan Wagstyl meets Akio Morita, the chairman of Sony

apanese are not fools. We have four years until 1992. Japanese manag-ers know what they should do during those four years. Japanese industry will move technology into Europe."
So says Mr Akio Morita, chairman of Sony, the Japa-nese consumer electronics group. If any Japanese has rea-son to understand Europe, it is Mr Morita. He first visited it 35 years ago; he built his first European factory, in Wales, 15 years ago. He started thinking about pan-European markets well before the launch of the European campaign for market

integration by 1992.

Mr Morita believes that Japanese companies will become good Europeans because they must. It is not a matter of char-ity but of self-interest. Companies without a strong local manufacturing base will be left in the cold. "Now Europe is becoming one big market, if we become European manufactur-ers that will be good for us," says Mr Morita.
As a result, Mr Morita gets

angry at suggestions that Japa-nese factories are merely screwdriver assembly plants, designed to disguise increases in Japanese exports. He is parin Japanese exports. He is par-ticularly annoyed when such claims come from Philips, the Dutch group which is Sony's partner in some ventures but its rival in many others. He holds up a copy of letter to the FT from a Philips executive which accuses Mr Morita of encouraging the establishment of screwdriver plants in Europe.

Europe.

"Why are they saying this?
What do they mean?," he asks.
Once something of a maverick among Japanese businessmen, time and success have turned the white-haired Mr Morita into a corporate statesman, a vice-chairman of the Keidanren, the Japan Federation of Economic Organisations. But at the age of 67. Mr Morita has lost none of the combative, pioneering, sometimes arrogant style which has made Sony the most famous Japanese consumer electronics company in the world - better-known even than its larger competitor Matushita Electric.

Hitting back at Philips, Mr selves by building barriers around the European market. Philips successfully urged the European Community to dou-ble tariffs on imported compact disk players, he says. And now, he adds, the Dutch group is refusing to cooperate on uniform standards on high-definition television.

Creating protected markets in Europe, European companies have become unable to compete elsewhere, says Mr Morita. They have to change

trouble. "Companies which do not work hard disappear."
Sony itself is working hard at becoming European – fol-lowing a policy called "global localisation". Mr Morita says he coined the phrase to describe the process of setting up operations around the world headed by local manag-

ers. While US companies in Europe were localising 30 years ago, the idea is new to Japanese companies and, according to Mr Morita, Sony is ahead of

the rest.

To prove his point, he pulls out photographs of a visit to Bridgend in Wales where Sony set up its first European plant in the early 1970s. The company invited 6,000 guests, including the staff and their families, to an anniversary matry where Welshmen organparty where Welshmen organ-ised a yakitori bar - or Japa-

Mr Morita is proud of the fact that engineers from Bridg-end travelled to Tokyo recently for a company-wide technology exhibition. The British team demonstrated special software they had devised for control-

 PERSONAL FILE 1921 Born Nagoya 1944 Graduated in physics, Osaka Imperial University 1946 With a partner founded Tokyo Tsushin Kogyo 1953 First overseas trip 1958 Company name changed to Sony 1971-76 President of Sony 1976-88 Chairman and chief

executive officer, Sony

ling factory production. Mr Morita says this showed real engineering skill – teaching production technology to the Japanese, who regard them-selves as world experts in the

However, even at Sony fornowever, even at Sony for-eigners can only go so far.The company has three non-Japa-nese special directors – but they cannot join the board because, says Mr Morita, they have to be able to speak Japanese to answer questions at shareholders' meetings. "But we don't keep things secret from them," says Mr Morita. Maybe, but it sounds like an

The test of global localisa-tion will be in Europe. It is not easy for foreign companies to operate even in the US, where there are no internal barriers. But in Europe, language and frontiers, not to mention regu-lations divide up the market. In television for example, Sony has to contend with two broadcasting standards. Pal and

ment. Mr Morita says it is important to capitalise on the strengths of different European countries. So the Bridgend fac-tory has developed skills in production engineering; but the company chose Stuttgart in West Germany for the head-quarters of its European televi-sion operations, including a design centre.

It was easier to recruit design engineers in Germany than in South Wales. But Mr Morita says this is not a slight on Bridgend. Indeed, it would be harder to hire production workers in Stuttgart - Sony would have to take on foreign Gastarbeiter, not West Germans. "There would be social problems and quality problems," says Mr Morita, in a rare flash of prejudice.

Mr Morita bemoans what he

sees as a loss of energy by Europeans. He has just visited an exhibition in Japan marking the visit of Philip Franz von Siebold, a Dutchman who came by ship in the early 1800s when Japan was a closed country to foreigners. Von Siebold stayed for several years to

teach medicine.
"I admire the European pio-neering spirit. Europeans used to come to the Far East in wooden ships around Cape Town. It took a long time. Now you can come by plane in 12 hours but they don't come."

Why do European manufac-turers pay so little attention to South East Asia, he asks. South East Asia is becoming a big market. If you look back to the old times, the British, the Dutch and the French were very strong in that area." Does Mr Morita worry that one day, Japan too might lose its com-petitiveness?"You mean if we become rich will we lose our hungriness? That is a relative problem. Now South Korea and Taiwan are more hungry than we are. They work very hard," says Mr Morita.

However, the Japanese have a strong incentive to keep working – an acute shortage of space. Mr Morita pulls out a piece of paper from his wallet and reads out some numbers -Japan has 2,542 people for every square mile of usable land; against 1,300 for the UK, and 148 for the US. Mr Morita carries this fact-sheet around with him because "People are always asking me how congested we are.

Mr Morita has no doubt about what will keep Japan ahead of other Asian countries technology. It is a subject he likes to talk about, revealing that the zest for innovation on which the company was

founded has not faded.

Having helped to develop transistor radios, colour televisions, home hi-fi equipment, video recorders and compact disks, Mr Morita now has high hopes for high-definition televi-



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sion, a computer-controlled television format which will probably be mass-marketed in the 1990s. "High-definition television. That will be the next stage," he says. Mr Morita claims high-defini-

tion video cameras are about to take the film industry by storm, in the same way as regular video has already taken over film-making in television. Film production with high-defi-nition video will be 20-30 per cent cheaper than with film and the result will be seven or

eight times sharper.

Mr Morita, it turns out, is not an inventor but a salesman of technology. His dreams are about selling a million Walk-man portable compact disk players, not about making them. His aim, he says, is to bring consumer products to

often the hardest task is not developing an innovation but in demonstrating to people why they might want it. Last year, to convince Japanese film-makers of the merits of high-definition video, Mr Morita rented a Tokyo cinema and showed a film. Later he told the audience that the entire movie had been made by video

techniques. They could hardly believe it, he says. "It will take one independent director to make a film using high-definition television and then others will follow, says

Mr Morita recalls that almost every consumer elec-tronics innovation ran into objections from someone. Gramaphone record companies protested at the launch of radio; they complained again at the start of compact disks; now, having transformed themselves into makers of compact disks as well as records, some of them are blocking the intro-duction of digital audio tape, or DAT, high-fidelity audio tape.

Software and hardware companies do not understand each-other, says Mr Morita. He says he repeatedly tried to tell the US film companies that home video recorders would be good for their business. They disagreed and the two sides spent eight years fighting in the courts before the Supreme Court ruled in Sony's favour. This battle, so fresh in Mr Morita's mind, is clearly a major reason behind Sony's acquisition last year of CBS Records - a hardware and a software

company coming together. Protests from labour unions are another obstacle for the advocates of technology. Mr

Morita remembers going to London on his first visit in 1953. During a trip to the BBC, he noticed a recording was being made by means of a prewar vintage needle moving across a heavy master disc. When he asked why the world's premier broadcasting corporation did not use tape recorders he was told the unions would not allow them.

Sony has, of course, made a great deal of money from Mr Morita's emphasis on persuading customers of the merits of Sony innovations - even if the customers at first seemed a bit slow to swallow the argument. When the company first tried selling tape recorders in Japan just after the war, nobody wanted one. It took countiess appeals by Mr Morita and others to create a market. How-ever, the group has also suf-fered for Mr Morita's stubborness. Sony was first to launch home video recorders – but stuck to its Betamar system long after it was clear that the competing VHS system, developed by JVC, had

captured the market. Sony captured the market. Sony repeatedly argued that it was just a matter of time before consumers realised its technology was better. Only this year did Sony sumit defeat and start marketing VHS machines.

The company has recovered from this failure. The success from this faiture. The success in the 1980s of its Walkman range of portable audio machines — tape recorders, radios, and recently compact disk players — proves that the "technology first" approach can still bring great rewards. The product invented a market which had not existed. Mr Morita has said on occasion that no amount of market research could have discovered a need for the Walkman. As the interview ends. Mr

Morita sighs and says he has to go to yet another party - this time at Mitsui Bank, in honour of its new directors. This is the season for company parties in Japan. The financial year ends in March; results are reported in May, and annual meetings are held in June, so July is a

month for parties.

But Sony, says Mr Morita, has never had a party. "It's not good business for us. It is good business for the hotels."

The group employs 3,600 staff in eight European factories making televisions, video their policies or they will be in recorders, and audio equip-Role of regulators

ELF-REGULATORY BOD-IES, which exemplify the current fashion for over-seeing and controlling a wide range of financial and other activities that materially affect the public, should take careful note of some trenchant observations made by the Court of Appeal as to the circumstances and manner in which the courts will intervene in policing the proper procedures of such bodies.

unfairly or with a lack of thoroughness in its investigation the court may feel obliged to stop the process and order the body to act properly.

If the regulating body acts

In R v Panel on Takeovers and Mergers, ex p. Guinness plc three appeal court judges to varying degrees were critical of the Panel's handling of an inquiry into one aspect of the takeover bid in 1986 by Guin-ness of the shares in Distillers, that aspect being whether a Swiss company had acted in concert with Guinness in cir-cumstances that breached Panel's takeover code. The application for judicial review of the Panel's decisions was limited to a challenge to its refusal to grant Guinness an adjournment of the panel's the product of the panel o adjournment when requested to do so on two occasions in August and September, 1987. Essentially, the earlier appli-cation was for a lengthy adjournment, until after all the

proceedings, both civil and criminal, had been concluded and the report of the Department of Trade & Industry inspectors had been published.

The second application was for a short adjustment base. for a short adjournment based on the late arrival and disclosure of a statement from Lon-don solicitors acting for a Swiss bank. This said that a Swiss company had been involved in a concert party operation with Guinness.



Allied to this complaint was a contention that the Panel should have called for witnesses from the Swiss bank as requested by Guinness.
Unlike the DTI inspectors,

the Panel has no power to compel the attendance of witnesses. But that is not to say that the Panel is powerless to persuade witnesses to come and give evidence before it. The Master of the Rolls, Lord Donaldson, expressed disbelief at the Panel's contention's that it could not use even indirect pressure to secure the wit-nesses' attendance. He related the apocryphal story of the office boy who was invited to meet the company chairman for a friendly chat. The dia-logue ended with the chairman logue ended with the chairman saying that of course it was only a suggestion, but reminded his young listener that he should remember who made the suggestion. The Swiss witnesses, Lord Donaldson said, were very far from being office boys, but they too might "have been susceptible to strongly worded suggestions."

All three judges would, had they been sitting on the Panel, have granted Guinness the short adjournment asked for. The test is not whether the

court thought it would have

granted the adjournment itself. Rather it is a question whether the Panel was so unreasonable that its decision was unfair. The court's limited interventionism in such matters is derived from two peculiar fea-tures of all self-regulatory bod-First, the body's authority is

derived not from any power given in an Act of Parliament, but from the institutions which form the constituent bodies that gave it financial and moral support and nominated its members.

Second, the scope of the activities of a body such as the Panel is invariably self-determined. Except in so far as the body decides to limit its own jurisdiction and to define its fear of operations, the constraints on its powers are those dictated not by law but by practical considerations. These qualities in turn create certain constraints upon the courts to intervene. The self-regulatory body is the master of its own practices and procedure.

Courts, sensitive to the nature of such an extra-legal instrument and the self-denying ordinance of the legislature in leaving regulation to those best suited to conduct such matters, adopt a hands-off approach. Judges, nevertheless, are always wary of allowing an unbridged licence to private investigators to continue mg an unormen access to pri-vate investigators to conduct their affairs without some con-trol and potentially unjustly. Lord Justice Woolf ended his judgment with a stern warning. The case had caused him concern. He hoped that the Panel understood the reasons for his concern, and that the case would at least serve as a calutary leason for the Royal. salutary lesson for the Panel. A rush to investigate served to obtain an early hearing, and, while not unlawful, was insen-

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